



IDAHO

DEPARTMENT OF FINANCE

A photograph of the Idaho State Capitol building in the background, partially obscured by a large, ornate fountain in the foreground. The fountain is heavily encrusted with thick, white ice, suggesting a winter scene. The sky is overcast and grey.

2006 Annual Report

Protecting the Integrity of Idaho Financial Markets Since 1905

James E. Risch
Governor

Gavin M. Gee
Director



JAMES E. RISCH
Governor

GAVIN M. GEE
Director

July 1, 2006

THE HONORABLE JAMES E. RISCH
GOVERNOR, STATE OF IDAHO

Dear Governor Risch:

I am pleased to submit herewith the 101st Annual Report of the Department of Finance for fiscal year 2006, July 1, 2005 through June 30, 2006.

Idaho's economy continues to be strong and to outperform the national economy. That strength is reflected in the performance this past fiscal year of the financial services industries operating in Idaho. Not only established businesses are benefiting from the state's strong economy; new ventures are also prospering in this Idaho environment that encourages business-friendly government and economic development at every opportunity. Growth in the financial services sector is the result of both the expansion of existing businesses as well as in the starting of new businesses. In September, Idaho was ranked as being the fifth lowest cost state in which to do business by the Milken Institute for the second consecutive year.

Key performance measurements of Idaho financial institutions reflect continued growth and expansion of services throughout the state. Assets and deposits in Idaho's community banks increased significantly again this year. Net income also continued to trend upward and asset quality measurements for Idaho's banks once again showed improvement. Similarly, Idaho chartered credit unions experienced positive growth in assets, shares (deposits), and loans. Delinquency ratios fell and net income was up slightly. Branch expansion among both community banks and credit unions was active, providing additional choices for Idaho consumers. Securities issuer filings reversed the previous stagnant trend to increase 6.7% over fiscal year 2005 filings. Likewise, the number of securities firms and agents registered in Idaho increased nearly 7% over the previous fiscal year.

This year both our credit union and banking programs were re-accredited by our national associations. These programs have been accredited continuously since 1990 and we were pleased to learn that the Department is now ranked among the top banking departments in the country.

In December, 2005, the Department issued the first license under the new Idaho Escrow Act. The law became effective July 1, 2005, but only a handful of license applications have been received. In January, 2006, the Department began implementing amendments made by the 2004 Legislature to the Idaho Residential Mortgage Practices Act. These amendments require individual mortgage loan originators to be licensed by the Department to originate loans. Nearly 4,000 individuals were licensed between January 1 and June 30, 2006 under this new provision.

These increases in the financial services sector generate commensurate increases in the workload of our staff. Our employees have been up to the task and have done a superb job providing quality service to our many stakeholders. This is in addition to the increased efforts of the employees to promote economic development, improve financial literacy, and protect consumers in the state.

The Department continues its participation in Small Business Information Fairs throughout the state, and educational efforts for industry. Again this year, consumer educational efforts remain a priority. For example, as in past years, Department employees made financial education presentations to high school students, remained active in the Idaho Financial Literacy Coalition, and co-sponsored and participated in the State Treasurer's Smart Women, Smart Money Financial Conference. We were also pleased to be asked this year to participate in the Idaho Supreme Court's Guardianship Monitoring Project, primarily providing financial review of documents submitted by conservators and trustees. Finally, consumer protection efforts of the Department continue to result in money being returned to Idaho residents who are victims of fraud or other violations of law. This year the Department joined with the Idaho Attorney General's Office and other states in settling the second largest predatory lending case in U.S. history. In that case, Ameriquest Mortgage Company agreed to pay \$325 million to consumers nationwide, with \$290,000 in restitution going to 900 Idaho borrowers.

This Annual Report contains many other highlights of Department initiatives for both industry and consumers. I express my sincere appreciation for the support we have received from you, your staff, the Legislature, the industries we regulate and their associations, and our national associations, and for the dedication of our employees.

Sincerely,

GAVIN M. GEE
Director of Finance

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FOREWORD

The Department of Finance is a regulatory agency charged with the supervision and oversight of state-chartered financial institutions, regulated lenders, securities issuers, broker-dealers and stockbrokers, residential mortgage brokers and lenders, investment advisers and sales personnel, collection agencies, endowed care cemeteries, and others. The Department administers nine distinct programs. Two of these programs relate to the Department's internal operations, while the other seven involve the administration and enforcement of the following twenty-two regulatory statutes:

<i>Idaho Bank Act</i>	<i>Idaho Credit Code</i>
<i>Idaho Bank Holding Company Act</i>	<i>Idaho Mortgage Company Act</i>
<i>Idaho Interstate Banking Act</i>	<i>Idaho Collection Agency Act</i>
<i>Idaho Interstate Branching Act</i>	<i>Idaho Uniform Securities Act</i>
<i>Idaho International Banking Act</i>	<i>Idaho Residential Mortgage Practices Act</i>
<i>Idaho Trust Institutions Act</i>	<i>Business Combination Act</i>
<i>Idaho Savings Bank Act</i>	<i>Control Share Acquisition Act</i>
<i>Business And Industrial Development</i>	<i>Idaho Commodity Code</i>
<i>Corporation Act (BIDCO)</i>	<i>Endowment Care Cemetery Act</i>
<i>Idaho Credit Union Act</i>	<i>Continuing Care Disclosure Act</i>
<i>Idaho Money Transmitters Act</i>	<i>Idaho Escrow Act</i>
<i>Idaho Financial Fraud Prevention Act</i>	

MISSION STATEMENT

The mission of the Idaho Department of Finance is to aggressively promote access to vigorous, healthy and comprehensive financial services for Idaho citizens. This is accomplished through prudent and efficient oversight of financial institutions, investment opportunities, and credit transactions. Through administration of laws enacted by the Idaho Legislature, legitimate financial transactions are encouraged, while fraud, unsafe practices, and unlawful conduct are detected and appropriate enforcement action is taken.

The Department is funded entirely by fees levied by law on the industries subject to its supervision. A list of prior Commissioners/Directors of the Department of Finance is shown in Exhibit I, and a summary of income and expenses and personnel status is shown in Exhibit II. Exhibit VII provides a list of the Department's staff.

DEPARTMENT HIGHLIGHTS AND CURRENT ISSUES

The Department, originally known as the Idaho office of “State Bank Commissioner,” was created March 6, 1905. At that time, the Department administered only one law, the *Idaho Bank Act*, and regulated only the banking industry. Today, the Department oversees more than 134,000 entities in 15 different financial service industries with combined assets in the billions. The Department delivers services through three operating bureaus: Financial Institutions, Securities, and Consumer Finance. Each bureau delivers services in both a regulatory capacity and as a consumer protection and education advocate.

National and Regional Economic Update – The national economy is well into its fourth year of economic expansion. It appears that the rate of economic growth is slowing somewhat and that this moderation in growth will likely continue for the rest of the year. The slowdown primarily reflects a cooling of the housing market. Inflation, which rose this past spring as energy prices soared, has declined most recently as energy prices have come down. The core inflation rate has also moderated somewhat in the past few months, although the Federal Reserve has cautioned that it “remains uncomfortably high.”

October, 2005, saw a surge in bankruptcy filings prompted by the October 17, 2005, implementation date of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. Filings nationwide began to rise in the late third quarter of 2005 and peaked as over 600,000 petitions were filed in the first 16 days of October 2005. Bankruptcy filings dropped off to a near 20-year low in the first quarter of 2006, but are again on the rise.

On February 1, 2006, Ben Bernanke was sworn in as the new Federal Reserve Board Chairman, replacing retiring chairman Alan Greenspan. As one of two federal regulators for state banks, Chairman Bernanke’s confirmation was widely praised by both government and industry leaders. He has stated that the Federal Reserve Board will continue its longstanding support for the state banking system and the nations’ community banks.

The issue of federal preemption of state law continued this year to be a hotly debated subject. On June 19, 2006, the US Supreme Court agreed to hear a national bank preemption case in its fall term. The case, *Watters v. Wachovia Bank*, addresses whether certain administrative regulations of the Office of the Comptroller of the Currency (OCC) preempt Michigan's state

laws regulating mortgage lending as applied to a nonbank, operating subsidiary of a national bank. The OCC has taken the position that an operating subsidiary of a national bank is entitled to the same preemption of state law that would be applicable to the national bank itself. The Supreme Court's decision could have important effects on the ability of the states to enforce consumer protection laws related to consumer credit and in other areas as well. Our Department, along with the other states, will be watching this case closely.

Idaho Economic Conditions -- Favorable economic expansion continued throughout Idaho during the past year. The Idaho economy produced new jobs at the rate of 5.1 percent, the fastest pace in the nation, between the second quarter of 2005 and the second quarter of this year. Job growth occurred primarily within the high-tech, education, health services, and construction sectors. Growth in the construction sector resulted from strong housing activity and robust commercial real estate expansion taking place around the state. However, the real estate market has cooled in recent months, as indicated by elevated inventories and higher vacancy rates, in an apparent response to rising interest rates. The seasonally adjusted unemployment rate set a record low in March 2006 at 3.2 percent and has moved only slightly higher in recent months, placing Idaho among the five states in the country with the lowest unemployment rates. Idaho's personal income grew nearly 16 percent between 2003 and 2005, ranking third nationally, but payroll gains have slowed recently and consumer spending has been impacted by soaring energy costs, higher interest rates, and the general slowdown in the real estate sector.

Idaho's community banks remain in excellent condition and continue to not only benefit from the state's vibrant economic expansion, but make an indispensable contribution to it. Assets and deposits in Idaho's community banks increased significantly again this year. Net income also continued to trend upward, with net interest margins that on average rank Idaho among the top five states nationally. Asset quality measurements for Idaho's banks once again showed improvement, as evidenced by noncurrent loan ratios that have continued to be among the lowest in the nation. These positive factors are indicative of and result from the favorable economic climate in the state, a low interest rate environment, and strong loan demand.

Idaho chartered credit unions experienced positive growth in assets, shares (deposits), and loans. Delinquency ratios fell, while net income was up slightly and the aggregate net worth

(capital) ratio for all state-chartered credit unions increased in comparison to total assets. Also, branch expansion activity among credit unions created additional choices for Idaho consumers.

Legislation and Rulemaking – During the 2006 legislative session, several Department sponsored bills were enacted into law. These include: a provision permitting the Department to participate in the multi-state mortgage licensing/database system; amendments clarifying that unlicensed mortgage brokering/lending is a violation of Idaho law; and, a repeal of the Idaho Credit Code tax/fee on regulated lenders and notification filers. The Department also promulgated administrative rules related to continuing education requirements for mortgage loan originator licensees and rules clarifying certain provisions of the new Uniform Securities Act. Finally, in response to the devastation wreaked by Hurricane Katrina, the Department issued an Emergency Order in September exempting from registration certain securities transactions which might take place between financial professionals and clients displaced by the hurricane. The Department also worked with the Conference of State Bank Supervisors to find ways that banking departments could assist financial institutions and their customers in areas affected by Hurricane Katrina.

Electronic Commerce and Technological Adaptation – The Department continues its commitment to find ways to streamline regulation while improving internal productivity. The application of new technology, regulatory adaptation, and operational design has allowed the Department to provide appropriate oversight for significantly more entities and individuals. During the fiscal year, the Department recorded and processed more than 134,000 submissions for securities filings, registration applications, charter applications and others during the fiscal year. Most Idaho registered securities sales agents (now numbering more than 67,400) have been licensing electronically since the 1980s. Also, the Department continued its participation in a national electronic licensing and filing system for investment advisory firms and their agents. The Department plans to eventually have the capability to accommodate electronic submission capabilities for each industry overseen by the Department. Most recently, the Department adapted its on-line filing system to accommodate mortgage licensing renewal capabilities. The Department's current web address is <http://finance.idaho.gov>.

Staff Professional Activities – Department staff members are committed to maintaining and improving their skills in order to provide appropriate services and to keep pace with today's

rapidly changing industry and regulatory environment. As an example, this year, the Federal Reserve Bank of San Francisco provided on-site training in Boise to twenty-three of our examinations and management staff on consumer compliance issues, which will allow us to take a more proactive stance on these important issues.

Beyond staying current on developing issues such as electronic banking and data security, staff members participated in various interstate workgroups. Groups with which the Department worked, and of which the Department is a member, include the North American Securities Administrators Association (NASAA), the Conference of State Bank Supervisors (CSBS), National Association of State Credit Union Supervisors (NASCUS), National Association of Consumer Credit Administrators (NACCA), American Association of Residential Mortgage Regulators (AARMR), and the North American Collection Agency Regulatory Association (NACARA). Department employees also participate in the Boise Economic Development Council Venture Capital Committee and the Idaho Financial Literacy Coalition.

The Director of the Department of Finance serves as Chairman of the CSBS Nationwide Automated Mortgage Licensing Taskforce and currently serves as a member of the Idaho Endowment Fund Investment Board and the Individual Development Account Advisory Board. He also serves on the board of directors of CSBS and several committees of both CSBS and NASCUS. The Department's Consumer Finance Bureau Chief, Michael Larsen, serves as a Director of NACARA, and as a Board member for AARMR.

REGULATORY AND EDUCATIONAL INITIATIVES

Significant changes in the regulatory and competitive structures of the financial services industry continue to occur. These changes require adaptation by both industry and regulators. In this regard, the Department and its staff have engaged in several activities associated with improving regulation and reducing regulatory burdens, while also expanding educational opportunities for both industry and consumers.

Idaho Financial Services Development – The Department continues to encourage the financial services industry to expand its services into rural communities across the state. During fiscal year 2006, the Department approved eleven financial institution branches in

Idaho communities. Four out-of-state chartered bank branches were also opened in Idaho communities.

Individual Development Account (IDA) Advisory Board – The Director of the Department of Finance serves on the Idaho IDA Advisory Board. The Idaho IDA Program is an asset-building program that helps qualified low-income applicants purchase a home, go to school, or start a business. With matching funds saved in these accounts from various resources, IDAs promote self-sufficiency and build personal assets that help low-income individuals and families move out of poverty.

Regulatory Burdens and Related Costs – The Department continues its commitment to provide reasonable regulatory oversight without imposing excessive costs on industry. Annual assessments charged to banks and credit unions were discounted from the statutory maximums for the eleventh year in a row. This discount has resulted in significant savings for state-chartered financial institutions.

In addition to reducing fees, the Department is implementing ways to reduce other regulatory burdens without reducing the effectiveness of its regulatory oversight. For example, the Department continues to explore ways to direct its examination resources more effectively by reducing the number of staff hours spent in institutions that are healthy and that routinely gain high marks for financial and operational integrity.

Venture Capital in Idaho – The Department maintained representation on the Boise Economic Development Council Venture Capital Committee during 2005-2006. This Committee strives to promote the availability and quality of sources of venture funding for emerging growth companies located in Idaho. The Committee has met with continued success in the promotion of these efforts, particularly in the annual Intermountain Venture Capital Forum sponsored by the Committee and other private and public entities. The Venture Capital Forum is educational in nature and also provides an opportunity for entrepreneurs to present their business ideas to accredited and institutional investors.

Small Business Capital Formation Efforts – The Department continues to participate with more than a dozen state and federal agencies in Small Business Information Fairs held

throughout the state. The fairs are a one-stop source of information for persons interested in starting a small business. At these events, the Department presents information about financing options for small businesses in addition to providing assistance in understanding and complying with the various laws the Department administers.

Industry Educational Efforts – The Department continues its efforts to assist industry in understanding and complying with regulatory requirements. During the course of each year, members of the Department’s staff make presentations before various local industry groups. In many cases, the Department delivers information on current industry compliance issues, as well as help industry to better understand how the Department operates. Often, these presentations result in an opportunity for industry participants to have specific issues and concerns addressed in an informal discussion setting. The Department’s Consumer Finance Bureau publishes a bi-annual industry newsletter entitled “*The Idaho Compliance Connection*” as a tool to inform collection agency, mortgage broker/lender, regulated lender, and payday lender licensees about regulatory requirements and changes.

Throughout the year the Department provides educational opportunities for industry participants. Among such programs presented this year were:

- The Department co-sponsored, with the FDIC, seminars for bankers on the new federal guidelines on compliance with the Bank Secrecy Act/Federal Anti-Money laundering requirements.
- Department Securities Bureau staff gave a presentation on the Idaho Uniform Securities Act and current investment schemes to the Society of Financial Planners.
- The Department offered free training sessions around the state to train new loan originators on the licensing and continuing education provisions of the Idaho Residential Mortgage Practices Act.
- The Department co-sponsored again this year a Bank Directors Training Seminar with CSBS in Coeur d’Alene.
- The Department co-sponsored with the National Association of State Credit Union Supervisors a Webinar on “Spotting Fraud” that highlighted frauds such as phishing, advance fee frauds, Nigerian scams, online auction scams and lottery scams.

- Consumer Finance Bureau staff spoke to the National Association of Professional Mortgage Women on the new mortgage licensing requirements and current trends.
- Consumer Finance Bureau staff spoke to the United States Organizations for Bankruptcy Alternatives on Idaho Collection Agency Act issues.
- Department staff and deputy attorney general also spoke to the Magic Valley Estate Planning Council about issues surrounding the regulation of private fiduciary services in Idaho.
- Consumer Finance Bureau staff made an educational presentation during the Idaho Association of Mortgage Brokers Conference, which qualified for continuing education credit.
- As done in prior years, the Consumer Finance Bureau presented successful educational outreach training seminars to mortgage, regulated lender, and payday lender licensees at locations throughout the state.

We are especially pleased that Idaho has been chosen to host the 2007 Conference of State Bank Supervisors (CSBS) Annual Conference in Coeur d'Alene, a first in CSBS's 104-year history. Our Department has also hosted a Bank Director Training Conference in Coeur d'Alene for the past four years, which continues to attract directors of financial institutions from around the region and country.

Consumer Educational Efforts – The Department has a long tradition of providing educational resources to Idahoans. The Department maintains an active “speakers bureau” and provides educational presentations on a variety of topics including investment fraud and consumer credit issues. This year staff presentations were made at the Boise Senior Center, Idaho Power Company, local churches, the Idaho State Treasurer's Smart Women, Smart Money Conference, the Idaho Summit on Elder Abuse and Exploitation, AARP's Senior Scam Jam and others. The Department also joined with other members of the Idaho Financial Literacy Coalition to staff a booth in February for Financial Literacy Day at the Legislature.

The Department continues its ongoing commitment to the education of Idaho's youth. The Department offers its expertise to Idaho's high school students through presentations given by Department representatives throughout the year. Presentations were made to 47 classes this year covering topics such as Securities and Investing Basics, Investment Fraud and How to

Avoid It, Basics of Consumer Credit and Mortgage Lending, Consumer Fraud Prevention, and First-Time Home Buying. In addition, two securities staff members served as judges for the Idaho chapter of the Business Professionals of America (BPA) conference at Boise State University. The BPA is a national organization dedicated to promoting hands on business related education to high school students. Also, several Department staff members served as guest lecturers for a University of Idaho law school securities regulation class.

Financial Literacy Month 2006 – Joining state securities regulators and a broad-based coalition of consumer groups and industry members, including the Idaho Financial Literacy Coalition, the Department participated in the eighth annual Financial Literacy Month during the month of April. During the month, the Department made presentations to sixteen high school classes around the state with more than 500 students participating. Five press releases were issued during the month, including an announcement of the Governor’s Financial Literacy Month Proclamation, information on credit worthiness and credit scores, tips to protect online brokerage accounts from identity theft, information on non-traditional home mortgages, and an investor alert cautioning citizens to beware of solicitations claiming to offer “IRA-Approved” and “IRS-Approved” investments, since the IRS does not approve investments for IRAs.

Idaho Financial Literacy Coalition – The Department remained actively involved in the Idaho Financial Literacy Coalition (IFLC) again this year. The IFLC is comprised of a broad array of individuals from government, education, segments of the financial services industry, and for-profit and non-profit groups. The mission of the IFLC is to improve the quantity and quality of information and educational programs related to personal finance by providing resources and instruction to educators, youth leaders, and others in need of assistance or at financial risk.

Industry and Regulatory Cooperation and Coordination – The Department makes significant efforts to coordinate its activities with both industry and other regulatory agencies. Such coordination and cooperation is increasingly important in an interstate, international and electronic commercial world. The Department meets regularly with industry trade associations and other state and federal regulators. The Department has also continued to work as a participant on the Conference of State Bank Supervisors (CSBS) Nationwide Automated

Mortgage Licensing Taskforce. There is broad support within and outside industry for this project. The National Association of Securities Dealers (NASD) has been selected as the vendor for the project. The NASD operates the nationwide securities and investment advisor databases used by all the states. Twenty states, including Idaho, will test the new system once it becomes operational.

The Department, along with other state securities regulators, participated in a joint initiative with the Securities and Exchange Commission aimed at protecting seniors from financial fraud and the sale of unsuitable investments. The initiative included on-site examinations of firms sponsoring “free lunch” investment seminars to ensure their sales practices are lawful.

Securities Investor Education Fund – The Department continues to stress the overall importance of financial literacy among Idahoans as a means to reduce the number of fraud victims and other investment related complaints. The Securities Investor Education Fund, established as part of the Uniform Securities Act (2004), provides a source of funding for securities investor education and training. As of September 1, 2004, monies received as part of civil penalties and administrative fines have been used to establish a fund (up to \$50,000) for the education of Idaho investors. The SIEF was funded largely as the result of the securities settlement with Deutsche Bank, part of the global settlement of the research analyst cases this year.

INDUSTRY RESULTS IN IDAHO

Banking In Idaho – Coincidental to further strengthening of the state’s economy, total assets in Idaho state-chartered banks increased by \$853 million, or just over 20 percent during calendar year 2005, despite several interest rate increases by the Federal Reserve Board of Governors. Deposits also grew substantially—up by \$678 million for the year—representing an increase of 19.5 percent. Net income of Idaho’s state-chartered banks also continued an upward surge during the year to compliment the stellar growth in community bank assets.

Credit Unions in Idaho – Idaho state-chartered credit unions showed modest, but positive growth during the year. Total assets of state-chartered credit unions increased by \$108.2 million, or almost 8.2 percent to more than \$1.4 billion. As of December 31, 2005, aggregate net worth increased by 8.64 percent or \$10.2 million. Shares (deposits) grew 6.9 percent to over \$1.2 billion, and member loans were up 12.5 percent to nearly \$1.1 billion.

Consumer Finance – Consumer credit remains readily available in Idaho. This year, the Department had regulatory oversight responsibility for 1,563 licensed finance company and title lender office locations, 217 licensed payday lender office locations, and 1,857 licensed mortgage broker/lender office locations. Individual mortgage loan originator licensing was implemented on January 1, 2006, and by fiscal year end the Department had 3,920 individual mortgage loan originator licensees. In addition, the Consumer Finance Bureau had regulatory oversight responsibility for 162 Idaho-based licensed collection agency office locations and 446 out-of-state collection agency office locations. The number of collection agency solicitors/collectors authorized to operate in Idaho was 46,466 at fiscal year end.

The Securities Bureau processed more than 79,000 submissions in fiscal year 2006, up 6.7% from the prior year, and through civil and administrative sanctions, obtained orders for approximately \$3.7 million in rescission for Idaho investors. Total fines and penalties assessed by the Securities Bureau was approximately \$240,000.

FINANCIAL INSTITUTIONS BUREAU

Idaho Bank Act
Idaho Bank Holding Company Act
Idaho Financial Fraud Prevention Act
Idaho International Banking Act
Idaho Interstate Banking Act
Idaho Interstate Branching Act
Idaho Trust Institutions Act
Idaho Savings Bank Act
Business and Industrial Development Corporation Act
Idaho Credit Union Act

The Financial Institutions Bureau regulates, supervises, and examines state-chartered commercial banks, savings banks, credit unions, bank holding companies, trust companies, and business and industrial development corporations (BIDCOs). The Bureau is responsible for enforcement of the *Idaho Bank Act*, *Idaho Bank Holding Company Act*, *Idaho Financial Fraud Prevention Act*, *Idaho Interstate Branching Act*, *Idaho Interstate Banking Act*, *Idaho International Banking Act*, *Idaho Savings Bank Act*, *Idaho Trust Institutions Act*, *Idaho Credit Union Act*, and the *Business and Industrial Development Corporation Act*. Compliance with applicable laws is monitored by on-site examinations and off-site surveillance of all state-chartered financial institutions and licensees, and by investigations of complaints filed with the Department.

The Department continues to focus on increasing financial options for consumers, especially in rural areas, and actively strives to enhance services for Idaho residents and the industries it regulates. In addition to substantial asset growth in Idaho's financial institutions, branch expansion activity remained robust around the state.

In recent years, financial modernization has eliminated many competitive barriers. The ever-changing face of the financial services industry continues to present business opportunities and regulatory challenges. In addition, rapid advances in technology have produced innovative methods of delivering financial products and services. The future will bring fresh challenges, and the Department is prepared to meet them by establishing and maintaining high, consistent standards and investing in its employees.

BANKING SECTION

The Banking Section is charged with the responsibility of supervising Idaho's state-chartered commercial banks, savings banks, and bank holding companies to ensure safe and prudent banking practices for the benefit of depositors and shareholders, to maintain public confidence in the banking system, to promote fair competition, and to encourage the continuation, maintenance, and preservation of the dual banking system. The Banking Section also licenses and supervises financial institution trust departments, independent trust companies, and business and industrial development corporations (BIDCOs).

As of June 30, 2006, there were eight bank holding companies, thirteen commercial banks (three with trust powers), no independent trust companies, and one BIDCO under the Banking Section's direct supervision. The Banking Section has additional responsibilities as the host state supervisor for several Washington state-chartered institutions: AmericanWest Bank (9 branches), Banner Bank (7 branches), FirstBank Northwest (8 branches), Inland Northwest Bank (2 branches), Sterling Savings Bank (12 branches), Washington Trust Bank (10 branches), one California institution: Bank of the West (3 branches), and one Oregon institution: Bank of the Cascades (11 branches). As a host state supervisor, the Banking Section also has indirect supervision over eight out-of-state financial holding companies with banking operations in Idaho.

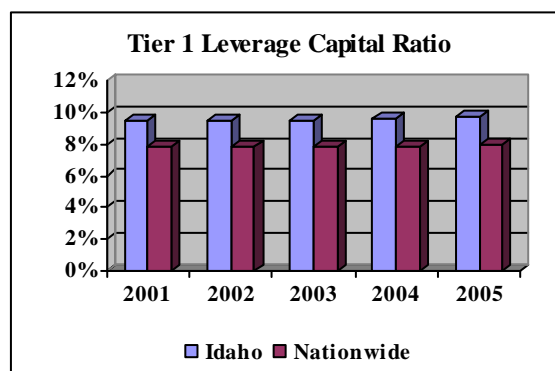
In fiscal year 2006, the Banking Section performed or participated in eleven full-scope commercial bank examinations, two trust examinations, twelve information technology (IT) examinations, and three compliance examinations.

Statutory Changes – The *Idaho Financial Fraud Prevention Act* took effect July 1, 2005, expanding the Department of Finance's authority with regard to fraud committed against those financial institutions it regulates. Due to increasing fraud suffered by Idaho's financial institutions and their customers, this new law provides the Department with authority to investigate fraud cases, bring administrative or civil actions, or refer cases for criminal prosecution. The new law also provides for enhanced penalties if money is taken from a consumer's retirement account or home equity, or if the victim is elderly or a dependent adult.

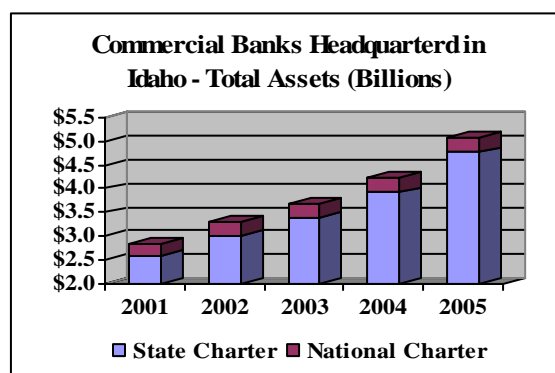
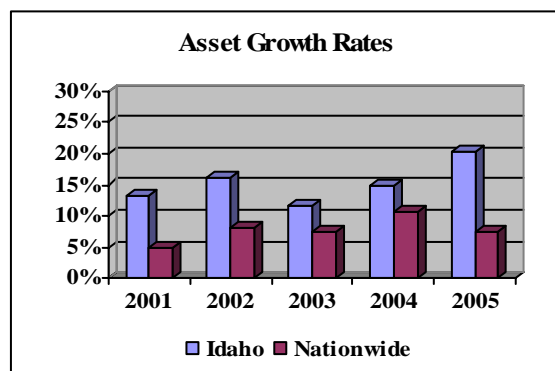
IDAHO BANKING INDUSTRY REVIEW

Performance and Condition of Idaho Banks – As noted in prior years, the large number of multi-state banking operations makes meaningful comparison of many key operating ratios difficult. Therefore, the focus of this report will continue to be on the community banks headquartered in Idaho. The 15 institutions used in the comparison are commercial banks. The data and ratios used are for the year ending December 31, 2005.

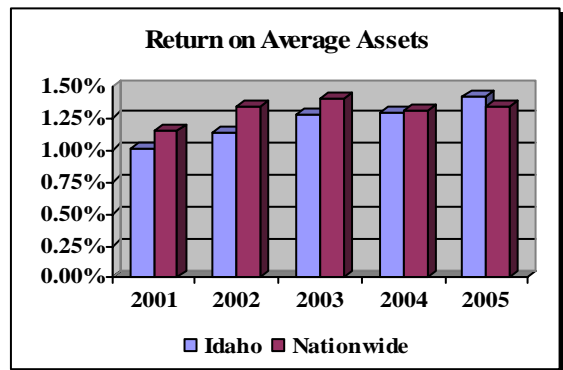
Capital – The Tier 1 Leverage Capital ratio for Idaho-chartered commercial banks increased from 9.66 percent in 2004 to 9.78 percent in calendar year 2005. This key measurement for commercial banks nationwide increased from 7.82 percent to 7.91 percent over the same period.



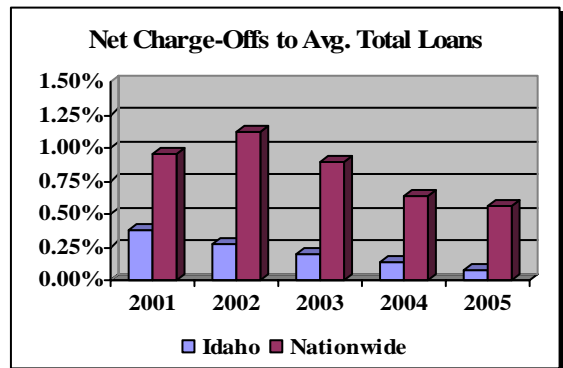
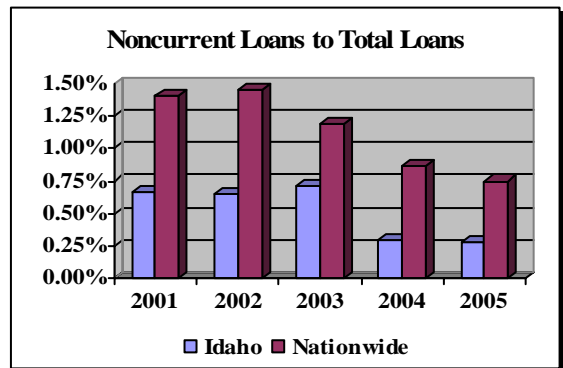
Growth – Idaho community banks continue to grow faster than banks nationally. In 2005, Idaho banks had an asset growth rate of 20.15 percent, while the national increase was only 7.43 percent. Loan growth in 2005 was also strong, up from a robust 23.43 percent in 2004 to 23.53 percent, and continues to be well above the national figure of 9.70 percent. The above-average growth in Idaho continues to reflect the ability of the state's local community banks to effectively compete with the significantly larger institutions that also operate nationwide or within broad regional markets.



Operating Performance – Operating results continue to be good, with Idaho banks achieving a solid return on assets (ROA) of 1.41 percent. This traditional measure of earnings performance was well above last year’s ROA of 1.29 percent. The year-end 2005 ROA for all commercial banks in the nation increased slightly from 1.30 percent to 1.33 percent.



Asset Quality – Asset quality remains sound in Idaho’s commercial banks as key measurement indicators continue to be better than the national averages. The ratio of non-current loans to total loans dipped from 0.29 percent to 0.28 percent and was well below the national average, which also exhibited a decline from 0.86 percent in 2004 to 0.75 percent at year-end 2005. Idaho banks also experienced a decline in loan losses, with the ratio of net charge-offs to total loans falling from 0.13 percent in 2004 to 0.08 percent in 2005. This loss ratio is considered to be nominal and compares very favorably to the national average of 0.56 percent.



New Banks – Idaho First Bank, McCall, Idaho, commenced banking operations October 3, 2005, as the first new commercial bank to be chartered in that community in 98 years and is the first new bank chartered in Idaho since 2001.

The Department received one application to charter a commercial bank during fiscal year 2006. The application to charter United Bank of Idaho, Driggs, Idaho, was approved by the Department and the FDIC in July 2006, making it the first new bank chartered in that community in 100 years. United Bank of Idaho is a subsidiary of United Bancorp based in Wyoming and officially opened for business September 27, 2006. There were no applications to charter a savings bank during fiscal year 2006.

Mergers/Acquisitions – Cascade Bancorp, the parent company of Bank of the Cascades, an Oregon state-chartered bank based in Bend, Oregon, acquired F&M Holding Company, the parent company of Farmers & Merchants State Bank, Boise, Idaho, effective April 20, 2006. This new division of Bank of the Cascades will retain the “Farmers & Merchants” name in Idaho.

Branching Activity – Branching activity remained strong, and state-chartered banks headquartered in Idaho received approval for the following branches during fiscal year 2006:

Bank Name	Branch Location/ Approval Date	Date Opened
Syringa Bank	Eagle, Idaho July 15, 2005	December 5, 2005
Bank of Idaho	Pocatello, Idaho August 8, 2005	Opening Pending
Citizens Community Bank	Rexburg, Idaho August 11, 2005	Opening Pending
Mountain West Bank	Boise, Idaho October 18, 2005	January 9, 2006
Panhandle State Bank	Kellogg, Idaho January 30, 2006	March 31, 2006
Intermountain Community Bank, a division of Panhandle State Bank	Fruitland, Idaho February 6, 2006	April 19, 2006
Magic Valley Bank, a division of Panhandle State Bank	Twin Falls, Idaho February 6, 2006	September 12, 2006
Ireland Bank	Aberdeen, Idaho February 10, 2006	March 20, 2006
Intermountain Community Bank, a division of Panhandle State Bank	Spokane, Washington April 17, 2006	May 11, 2006
D.L. Evans Bank	Pocatello, Idaho May 1, 2006	Opening Pending
Syringa Bank	Middleton, Idaho May 4, 2006	Opening Pending
D.L. Evans Bank	Idaho Falls, Idaho June 5, 2006	August 21, 2006

Two banks chartered by the State of Washington and operating in Idaho opened the following additional branches during the fiscal year:

Bank Name/ Headquarters	Branch Location/ Date Opened
Banner Bank (Walla Walla, Washington)	Boise, Idaho July 11, 2005
Banner Bank (Walla Walla, Washington)	Twin Falls, Idaho December 12, 2005
AmericanWest Bank (Spokane, Washington)	Sandpoint, Idaho February, 1, 2006
Banner Bank (Walla Walla, Washington)	Meridian, Idaho February 27, 2006

Interstate/Interagency Supervision – The Department works closely with federal and state regulatory agencies in order to provide seamless supervision, minimize disruption and costs for the banking industry, and effectively utilize supervisory/regulatory resources. The primary tool in this endeavor is close coordination of examinations. Teams for commercial, trust, information technology, and compliance examinations frequently include both state and federal examiners. The Department also continues to provide and support a “single point of contact” approach for state-chartered institutions operating on a multi-state basis.

Accreditation – The Conference of State Bank Supervisors (CSBS) and the National Association of State Credit Union Supervisors (NASCUS) have established accreditation standards for both bank and credit union supervision and regulation. The accreditation process requires a comprehensive review of all factors needed to have a fully functional regulatory organization. The bank and credit union sections were initially accredited in 1990. Every year the accreditation committee requires updated information to maintain accredited status, and the sections have been continually accredited. A full-scale re-accreditation occurs every five years and was last renewed in 2005.

TRUST DEPARTMENTS AND TRUST COMPANIES

Bank Trust Departments

Bank of Idaho, Idaho Falls, Idaho
Panhandle State Bank, Coeur d'Alene, Idaho
The Bank of Commerce, Idaho Falls, Idaho

The Banking Section is responsible for enforcing the *Idaho Trust Institutions Act* and currently supervises the trust departments of three state-chartered

banks. The activities of these trust departments are centered in personal trusts, agency accounts, safekeeping, and non-complex employee benefit accounts. The employee benefit accounts are primarily self-directed IRAs and 401(k) accounts. The one bank trust department that accepts corporate trusts had seven issues totaling \$38.9 million at year-end 2005.

Total trust assets under supervision increased by 7.3 percent during the year to \$223.7 million as of December 31, 2005, consisting of \$95.8 million in managed assets, \$128 million in non-managed assets, and \$75.5 million in custody/safekeeping assets.

Panhandle State Bank received Department and FDIC approval to exercise trust powers and commenced trust operations on March 24, 2006, from its office location in Coeur d'Alene, Idaho.

As noted previously, Farmers & Merchants State Bank merged with Bank of the Cascades effective April 20, 2006. This transaction also resulted in a merger of the institution's trust department operations into the Oregon-based bank.

The Department has approved two out-of-state trust companies to operate in Idaho. These companies—Morgan Chase Trust Company (Sioux Falls, South Dakota) and U.S. Trust Company of Delaware (Wilmington, Delaware)—have no offices in Idaho. Supervision of these out-of-state trust companies is handled in accordance with the terms of the Nationwide Cooperative Agreement for Supervision and Examination of Multi-State Trust Institutions, with the home state regulator as the single point of contact.

BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATIONS

On July 1, 1989, the *Business and Industrial Development Corporation Act* became effective, authorizing an alternative form of financial institution. The Act authorizes the formation of business and industrial development corporations (BIDCOs) to provide financing and management assistance to new or expanding companies.

Working closely with the Small Business Administration, other federal financial assistance programs, and traditional commercial lenders, BIDCOs are licensed to increase the level and quality of financial services available to the small business community in Idaho. This financial assistance has led to the creation or retention of an estimated 880 permanent jobs in the state. The only BIDCO currently licensed in the state is The Idaho Company, located in Idaho Falls.

The Idaho Company (Idaho Falls, Idaho)	Number	Dollar Amount
Activity for Calendar Year 2005		
Number and dollar amount of financing assistance provided to business firms in 2005:	20	\$1,288,745
Number and dollar amount of financing assistance provided to minority-owned and woman-owned business firms in 2005:	1	13,327
Estimated number of jobs created or retained through financing assistance in 2005:	76	NA
Activity Since Inception		
Number and dollar amount of financing assistance provided to business firms:	237	\$24,472,465
Number and dollar amount of financing assistance provided to minority-owned and woman-owned business firms:	23	\$1,999,316
Estimated number of jobs created:	512	NA
Estimated number of jobs retained:	368	NA

CREDIT UNION SECTION

The Credit Union Section is charged with the responsibility of supervising all Idaho state-chartered credit unions and ensuring compliance with the *Idaho Credit Union Act* and numerous federal regulations. As of December 31, 2005, the Credit Union Section supervised a total of 39 credit unions.

Three Washington state-chartered credit unions and one California state-chartered credit union also maintain branch offices in Idaho. Washington-chartered Horizon Credit Union has branches in Coeur d'Alene, Post Falls, and Sandpoint; Numerica Credit Union has two branches in Coeur d'Alene; and Global Credit Union has branches in Post Falls, Moscow, Coeur d'Alene, and Kellogg. California-chartered Silverado Credit Union operates one branch in Nampa.

The Department enjoys an excellent working relationship with other state and federal credit union regulators and a private insurer. The Credit Union Section is an active participant in the National Association of State Credit Union Supervisors (NASCUS). NASCUS actively coordinates with all state credit union regulatory agencies and the National Credit Union Administration (NCUA) on a variety of credit union regulatory issues.

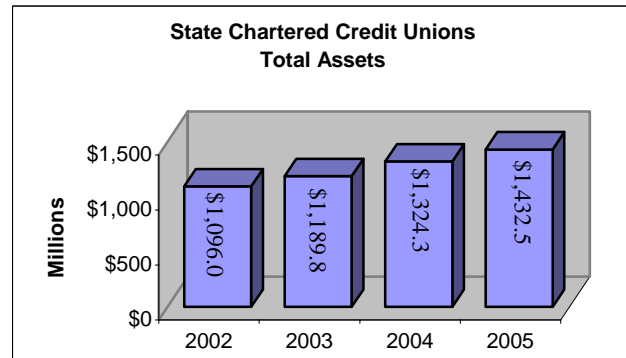
Mergers/Acquisitions – During fiscal year 2006, there were three mergers of Idaho state-chartered credit unions into other Idaho state-chartered credit unions. Mountain View Credit Union merged with Canyon Medical Health Credit Union—changing the name of the surviving institution to Cornerstone Credit Union; Orofino Community Credit Union merged with Lewis Clark Credit Union; and Western Equipment Employees Credit Union merged into Idaho Central Credit Union.

There was also one merger of a federally-chartered credit union, Treasure Valley Federal Credit Union, into a state-chartered credit union, Idadiv Credit Union.

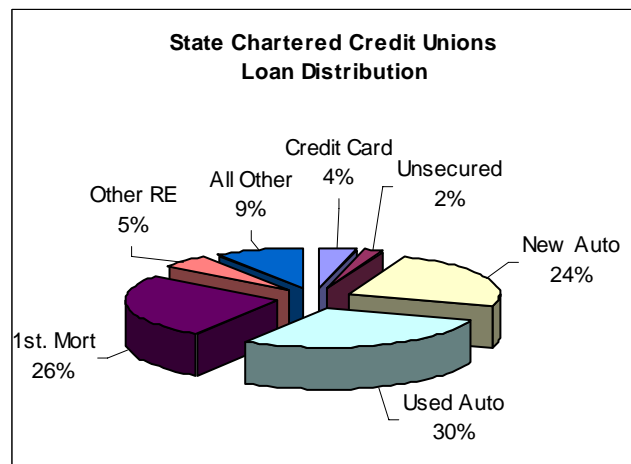
Branching Activity – Idaho Central Credit Union received approval to establish four new branches in Burley, Boise, Idaho Falls, and Pocatello, and Northwest Christian Credit Union received approval for a branch in Boise.

Performance and Condition of Idaho Credit Unions – The credit union industry as a whole remains healthy, as are the state-chartered credit unions in Idaho. The information used to compile the dollar figures and ratios presented in the following charts and narrative comments is derived from the consolidated Call Reports filed by Idaho’s state-chartered credit unions for the period ending December 31, 2005.

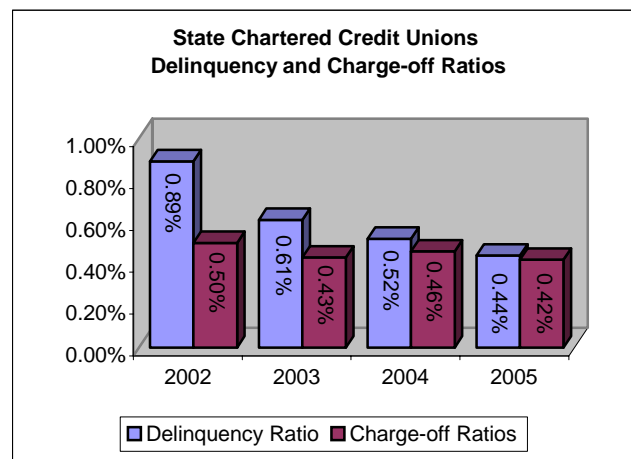
Growth – Idaho state-chartered credit unions experienced a slower rate of asset growth in 2005 than was experienced in the prior year. Total assets increased \$108.2 million, or nearly 8.2 percent, compared to 11.3 percent in 2004.



Loan Trends – Total loans in Idaho credit unions increased 12.5 percent in 2005, or just over \$118 million, to nearly \$1.1 billion. This growth occurred primarily in new and used auto financing and first mortgage loan categories. At the same time, total shares grew at a slower rate (6.9 percent) than loans, causing the loan-to-share ratio to increase from 80.2 percent in 2004 to 84.4 percent in 2005.

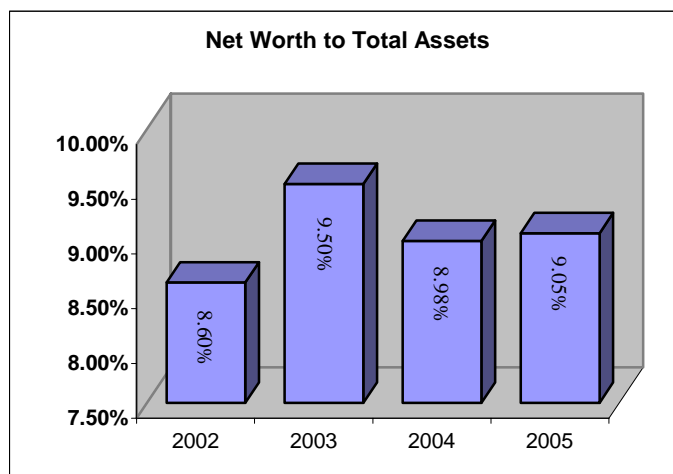


Delinquency Trends – Loan delinquency dropped from 0.52 percent of loans in 2004 to 0.44 percent in 2005. In addition, the level of delinquent loans declined from \$4.9 million in 2004 to \$4.7 million in 2005. The ratio of loan charge-offs decreased slightly to 0.42 percent in 2005 compared to 0.46 percent in 2004.



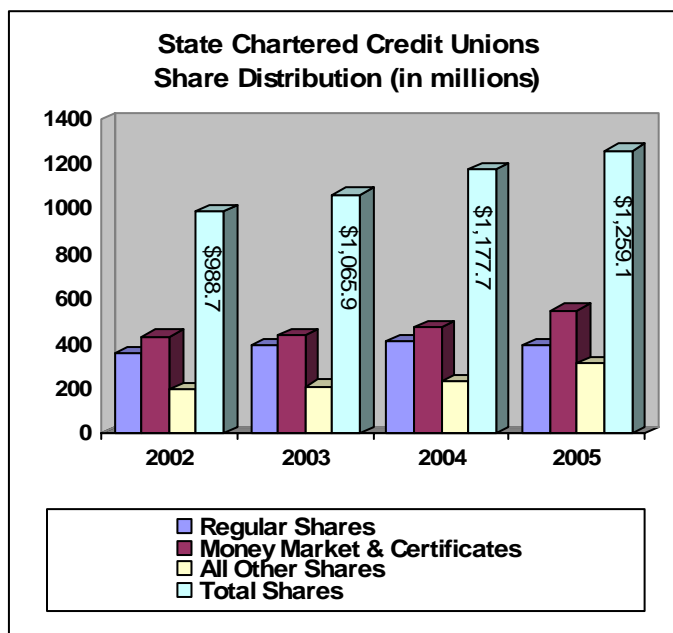
However, loans subject to bankruptcy in 2005 increased by \$1.6 million to \$5.9 million, as did the number of bankruptcy filings, which jumped from 670 in 2004 to 846 during 2005. The increase in bankruptcies is a result of the change in bankruptcy laws that took effect in October 2005. A significant reduction in the number of loans subject to bankruptcy should be seen in 2006.

Net Worth - Net worth increased by 8.64 percent, or \$10.3 million, to 9.05 percent of total assets in 2005. The ratio of net worth to assets rebounded slightly from a decline in 2004, as the rate of net worth growth outpaced asset growth.



Operating Results – Net income increased a modest \$112 thousand from \$12.3 million in 2004 to \$12.4 million, or less than 1 percent, but reversed a decline of 5.6% from the prior year. Two major factors contributed to this increase: an increase in interest income of \$6.6 million, and a \$2.2 million increase in non-interest income. The return on average assets ratio decreased from 0.98 percent in 2004 to 0.90 percent in 2005 as asset growth outpaced net income growth.

Share Trends – Total shares increased 6.9 percent, or \$81.4 million, during 2005, compared to 10.5 percent, or \$111.8 million, during 2004. Regular shares represent 31.4 percent (\$395 million) of total shares, while share drafts represent 17.9 percent (\$225.5 million). Money market accounts and certificates of deposit comprise 43.7 percent (\$550.3 million) of total shares, compared to just over 40 percent in 2004.



Liquidity Trends – Cash and short-term investments decreased by 145 basis points, or just over \$4 million, to slightly above 14 percent of total assets, compared with 2004 when Idaho credit unions had approximately 15.5 percent of total assets in cash and short-term investments.

Summary – Overall, state-chartered credit unions in Idaho remain financially strong and operate within their charters and the Idaho Credit Union Act. However, credit union management will need to continue to monitor and adjust their institutions' balance sheets in an effort to address potential liquidity and funds management risk. State-chartered credit unions continue to encourage thrift among their members, and ensure that their members have access to credit and basic financial services.

CONSUMER FINANCE BUREAU

Idaho Credit Code
Idaho Collection Agency Act
Idaho Residential Mortgage Practices Act
Idaho Mortgage Company Act
Idaho Escrow Act

The Consumer Finance Bureau is the regulatory and licensing authority for regulated lenders under the *Idaho Credit Code*. Regulated lenders include finance companies, financial institutions, payday lenders, and title lenders. Provisions of the Credit Code apply to retail sellers of goods and services who extend credit to their customers, as well as to creditors who take assignment and undertake collection of payments from debtors arising from regulated consumer loans.

The Bureau is committed to providing reasonable regulation of mortgage brokers, mortgage lenders, mortgage loan originators, and mortgage servicing providers operating in Idaho under the *Idaho Residential Mortgage Practices Act* and the *Idaho Mortgage Company Act*.

The Bureau is responsible for the licensing and enforcement provisions of the *Idaho Collection Agency Act*. Collection agencies located in Idaho, and those from other states that collect from Idaho residents, are required to have a permit under the Act and comply with certain ethical obligations. Additionally, entities that engage in credit counseling, debt counseling, and credit repair within the state of Idaho are required to obtain a permit under the Act.

Beginning in fiscal 2006 the Bureau became responsible for implementation of the licensing and enforcement provisions of the *Idaho Escrow Act*, an Act that provides a regulatory framework for independent escrow companies operating in Idaho.

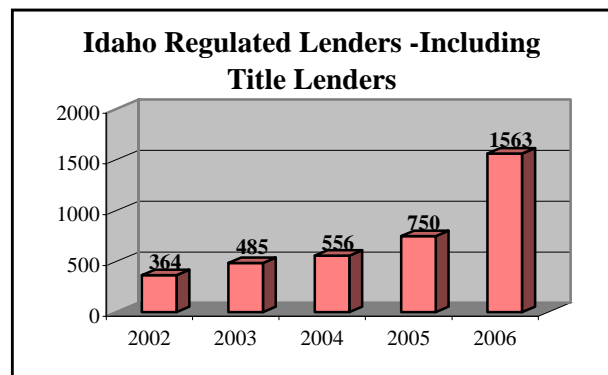
Compliance with the above laws is accomplished by on-site examinations of all licensees, and by investigations of complaints filed with the Bureau. The goal of the Bureau is to assure the availability and quality of consumer finance services, and ethical debt collection practices. The Bureau currently has a 16 member staff.

IDAHO CREDIT CODE

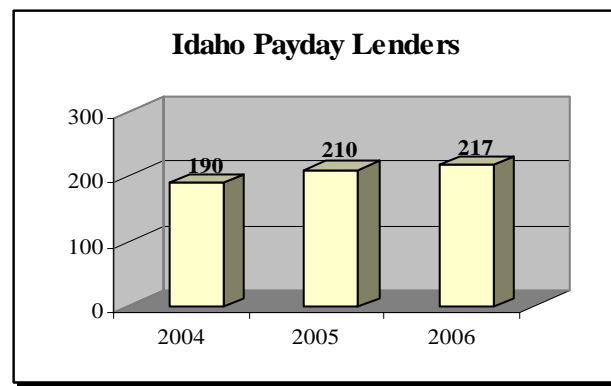
The *Idaho Credit Code* (ICC) is a state law that regulates certain terms and conditions of consumer credit in Idaho. “Consumer credit” is a credit sale or loan in which the credit is extended by a person who is regularly engaged in the credit business, to a borrower who will use it for a personal, family or household purpose, and in which a finance charge is made or the debt is payable in installments.

The ICC does not apply to first mortgages or home refinance loans. Most other consumer transactions such as automobile loans, second mortgages, and the use of credit cards are subject to the ICC. The 2006 Idaho Legislature passed the *Title Loan Act* as a part of the ICC. Vehicle title loans, in which a vehicle title is given to the lender as security for the loan, and payday loans, in which a postdated check is given to the lender, are also considered consumer loans under the ICC. The ICC includes uniform lending procedures and consumer protection provisions for the payday and title lending industries in Idaho, as well as specific licensing requirements for payday lenders. The ICC also includes other generally applicable consumer protection provisions, such as a consumer’s right to be informed about the costs of a loan before it is made, and the right to cancel a payday or title loan by the next business day after extended, and the right to cancel certain home solicitation sales and real estate transactions.

Licensing/Lending Activity – Under the ICC, creditors engaged in the business of making regulated consumer loans, or taking assignment of and undertaking direct collection of payments from debtors arising from regulated consumer loans, must obtain a regulated lender license. Regulated lenders must file for license renewal and submit composite annual reports on or before May 31 of each year.



During fiscal year 2006 lending activity by state licensed regulated lenders ranged from a sole-proprietor title lender to a national finance company with nearly a billion dollars in outstanding Idaho loans. The growth of regulated lenders is split between finance companies, including second mortgage lenders, and payday/title

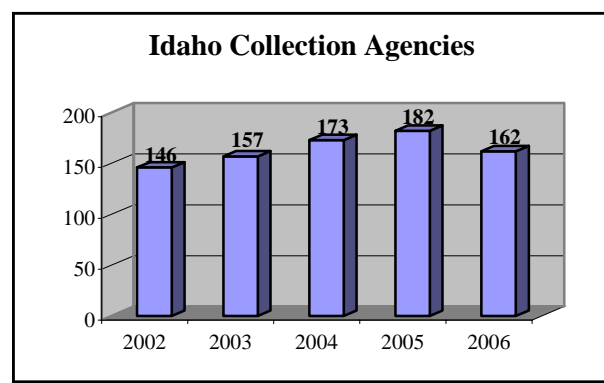


lenders. As of June 30, 2006, Idaho had 1,563 licensed regulated lender offices, which includes title lenders and regulated lenders also holding a dual license as a mortgage lender, and 217 licensed payday lender offices.

Compliance/Enforcement – In addition to answering consumer inquiries and complaints, the Bureau staff conducts routine and “for-cause” on-site examinations of regulated lenders. The Bureau is committed to examining offices of payday and title lenders situated in Idaho regularly to ensure that their business practices comply with Idaho Credit Code standards. During the past fiscal year, the staff conducted 23 examinations of payday and title loan offices and 49 examinations of other regulated lender offices, as well as conducted 11 visitations of either licensed offices or locations seeking licensure. The Bureau also received 76 complaints from Idaho consumers regarding entities operating as regulated lenders and issued 4 administrative orders against regulated lenders or payday lenders operating within Idaho.

IDAHO COLLECTION AGENCY ACT

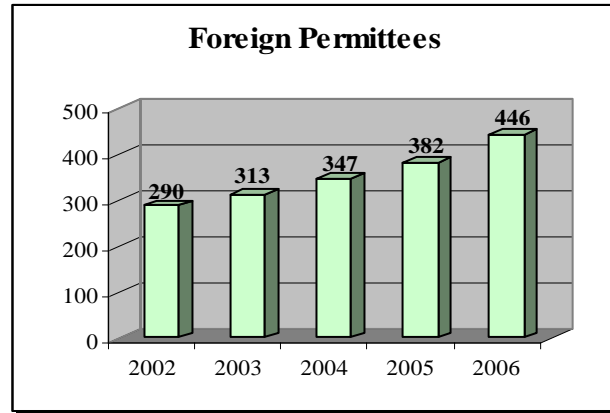
The Consumer Finance Bureau oversees collection agencies, both those located in Idaho and agencies from other states that collect from Idaho residents, under the *Idaho Collection Agency Act* (Act). Consumers have an obligation to pay their debts. However, collection agencies must deal openly, fairly, honestly and without deception



when collecting debts. This includes complying with the Federal Fair Debt Collection Practices Act.

Licensing – Under the Act, the following activities cannot be conducted in Idaho without obtaining a collection agency permit:

- Operating as a collection agency, debt counselor, or credit counselor;
- Engaging, either directly or indirectly, in the business of collecting or receiving payment for another of any account or bill;
- Soliciting or advertising for the right to collect or receive payment for another of any account or bill;
- Selling or distributing any system of collection letters in which the name of any person other than the creditor to whom the debt is owed appears; or
- Engaging in the business of credit repair.



Collection agencies licensed in other states may obtain a “foreign permittee” permit if they meet certain conditions under the Act. All collection agencies must renew their permits and pay an annual fee prior to March 15 of each year.

As of June 30, 2006, Idaho had 162 Idaho collection agencies, and 446 foreign permittees. These agencies had a total of 46,466 solicitors/collectors registered with the Department.

Compliance/Enforcement – In addition to answering consumer inquiries and complaints, the Bureau staff conducted 32 routine on-site examinations of Idaho collection agency offices during fiscal year 2006. The Bureau received 199 complaints against collection agencies and 39 complaints against credit/debt counselors operating in Idaho and issued various letters of caution to individuals and companies engaged in unlicensed debt collection, credit counseling, or credit repair informing them that their activities were in violation of Idaho law. One Cease and Desist Order was entered against a company that operated as a collection agency in Idaho without the required approval and permit from the Department. Three companies entered into administrative settlement agreements as a result of violations of the Act.

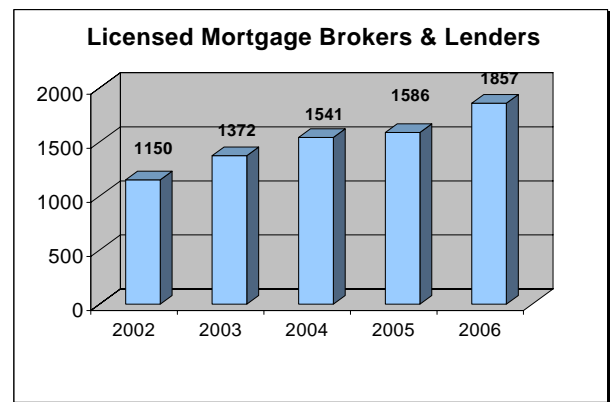
IDAHO RESIDENTIAL MORTGAGE PRACTICES ACT AND IDAHO MORTGAGE COMPANY ACT

Under the *Idaho Residential Mortgage Practices Act* (Act), all non exempt office locations from which mortgage brokering or mortgage lending activities are conducted are required to be licensed with the Department. Due to amendments to the Act in 2004 and legislative appropriation in 2005, beginning in January 2006 licensure requirements extended to individuals who originate residential mortgage loans for certain mortgage broker and lender licensees. The purpose of the Act is to ensure that companies and individuals offering mortgage services meet certain minimum standards and that consumers are protected from unfair practices.

Mortgage brokers are companies that assist borrowers in obtaining a mortgage loan from a bank or other lender. Mortgage lenders fund mortgage loans and may also perform mortgage brokering activities. Loan originators assist in the preparation of residential mortgage loan applications for the purpose of obtaining a loan through a mortgage broker or lender. The Act applies to those making first mortgage loans as well as to those making subordinated lien loans secured by residential real property.

In addition, the Department has authority under the *Idaho Mortgage Company Act* to ensure that mortgage companies are properly handling borrower reserves, impound and escrow accounts, as well as properly applying borrower payments.

Licensing – The Act requires that companies obtain a license for each office from which they conduct mortgage business. Licensees are not required to have a physical office location in Idaho. In fact, the Department has license holders nationwide. The Department issued 675 mortgage broker/lender licenses during fiscal year 2006. As of June 30, 2006, the Department had 1,586 active mortgage broker/lender licenses in effect. Overall, licensing numbers have increased 61% during the past five-year period. Effective January 1,



2006, mortgage loan originators operating in Idaho were required to obtain a license under the Act. The result of this requirement was the licensure of 3,920 loan originators as of June 30, 2006.

Compliance – The Bureau conducts routine and “for-cause” on-site examinations of mortgage brokers and lenders to verify that business is being conducted in accordance with the Act. Beginning in January 2006, these examinations also extended to licensed loan originators. The Bureau conducted 38 mortgage broker/lender examinations in fiscal year 2006. The Bureau also handles customer complaints and inquiries. In fiscal year 2006, the Department received and processed 107 complaints against mortgage broker lenders operating in the state of Idaho and 11 complaints against loan originators.

Enforcement – The Department initiated 24 administrative actions and 1 civil action against licensed mortgage brokers/lenders and loan originators, as well as against entities that should have been licensed but were not. These enforcement actions addressed a variety of mortgage practices representing violations of the Act, as well as license application and surety bond deficiencies. Details of these actions are provided in Exhibit VI.

IDAHO ESCROW ACT

The 2005 Idaho Legislature enacted the Idaho Escrow Act, assigning regulatory oversight responsibilities to the Idaho Department of Finance over independent Idaho escrow agencies. Beginning in fiscal 2006, Idaho escrow agencies, as defined in the Idaho Escrow Act, were required to obtain a license prior to engaging in escrow activities in Idaho. As of June 30, 2006, the Department had issued 8 licenses to entities engaged in escrow activities in the state of Idaho. Additionally, the Bureau received 2 complaints against escrow companies and issued 2 orders to companies to cease and desist from unlicensed escrow activities, as well as violations of the Idaho Financial Fraud Prevention Act.

REGULATORY AND EDUCATIONAL INITIATIVES

Statutory Initiatives –The licensing and fee sections of the Idaho Credit Code underwent significant amendments by the 2006 Idaho Legislature. The amendments, advanced by the

Department, eliminated lender licensing requirements for depository institutions and also eliminated the requirement that sellers of goods and services on credit file “notification” and pay credit balance taxes to the Department. These changes to the Idaho Credit Code, including the adoption of an annual license renewal process, benefited consumer finance companies, retailers, and service providers who will no longer need to pay credit balance taxes and file annual “notification” with the Department.

The 2006 Idaho Legislature also adopted the Title Loan Act as a subpart to the Idaho Credit Code. The Title Loan Act limits accrual of interest on automobile title loans in Idaho to one year by requiring principal reduction payments of 10% of the original principal balance beginning with the 3rd loan renewal. Among other provisions, the Title Loan Act also, (i) includes specific disclosures that must be made to borrowers in connection with a title loan, (ii) provides that a borrower may cancel a title loan by the end of the next business day after entering into the title loan agreement, and (iii) prohibits a title lender from capitalizing or adding any accrued interest or fee to the original principal of the title loan agreement during any renewal of the agreement.

In an effort to promote uniformity, reduce mortgage fraud, and eliminate a patchwork of duplicative state regulatory requirements in the mortgage industry, the Department proposed, and the 2006 Idaho Legislature adopted, an amendment to the Idaho Residential Mortgage Practices Act to enable Idaho to convert to a national automated mortgage licensing system. The amendment grants the Department rulemaking authority to implement changes to existing licensing requirements necessary to participate in a nationwide mortgage licensing system, expected to be implemented in 2008. The amendments also included the requirement of a criminal background check of mortgage loan originator license applicants, if such is required to participate in the national automated mortgage licensing system.

SECURITIES BUREAU

Uniform Securities Act
Idaho Commodity Code
Control Share Acquisition Act
Business Combination Act

Idaho Money Transmitters Act
Endowment Care Cemetery Act
Continuing Care Disclosure Act

The Securities Bureau administers and enforces several consumer and business protection statutes. Through the authority of the *Uniform Securities Act* and the *Idaho Commodity Code*, the Bureau regulates the sale of investment securities and those individuals and entities that offer investment opportunities to the public. The Bureau's objectives in administering and enforcing these statutes include promoting the integrity and vitality of state and federal financial markets, protecting the investing public from fraudulent investment schemes, and assisting legitimate businesses in their efforts to raise capital in Idaho.

In addition, the Bureau has limited duties under Idaho's *Control Share Acquisition Act*, *Business Combination Act*, and *Continuing-Care Disclosure Act*. Also, the Bureau ensures that endowed care cemeteries properly handle the funds and trust placed with them through administration of the *Endowment Care Cemetery Act*.

Finally, the Securities Bureau is responsible for the licensing and enforcement provisions of the *Idaho Money Transmitters Act*. A money transmitter includes any business engaged in receiving money for transmission by any and all means and any business that issues payment instruments to purchasers (e.g., money orders).

Where individuals or entities violate these statutes, appropriate remedies are sought using statutory and administrative enforcement authority. The Bureau also provides assistance in criminal prosecutions when necessary.

UNIFORM SECURITIES ACT

The *Uniform Securities Act* (Act) seeks to preserve and promote legitimate securities markets by assisting companies in their attempts to raise capital and prevent investment fraud. While the Act is designed to protect investors from fraud, it does not protect investors from the possibility of investment loss resulting from securities price movements, market changes or

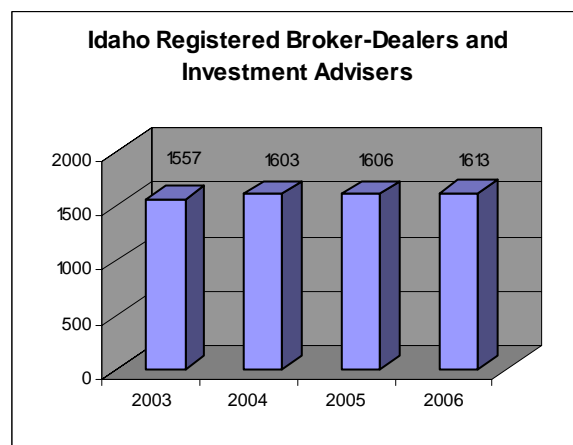
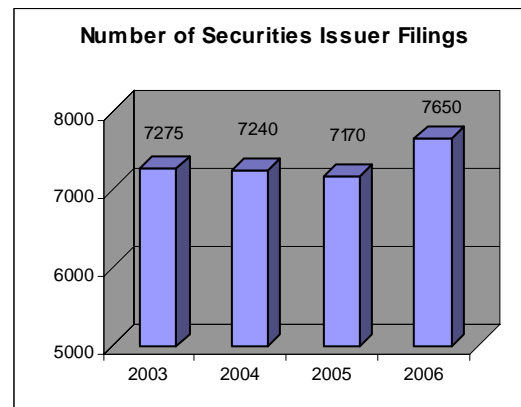
business failures. The Act requires that persons who solicit investments provide complete disclosure of all the important aspects of the investment being promoted. With this information, investors are empowered to make reasoned investment decisions.

Securities Issuer Filings –Generally, any public offering of newly issued securities must be registered with Securities Bureau before they are offered to public investors. The review is designed to determine whether the offering materials provide full, fair and accurate disclosure of all material information and whether the offering materials contain fraudulent terms or the offering is structured unfairly.

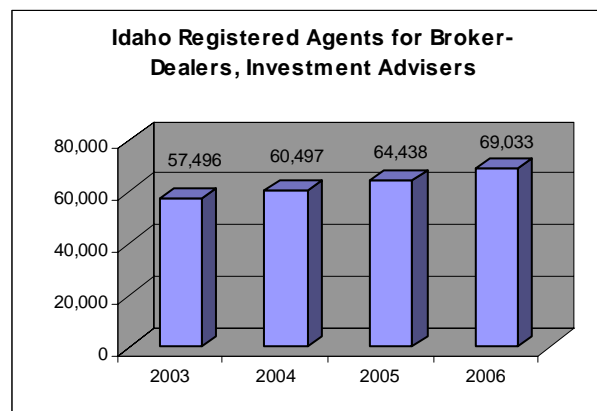
Registration of Firms and Agents – The Bureau registers and provides oversight for most broker-dealers, securities sales agents and investment advisory representatives doing business in or from Idaho. Additionally, the Bureau registers and is the sole regulator for investment advisory firms that are located in Idaho and manage assets of \$25 million or less. Every application for registration is examined either electronically or manually prior to approval.

As shown in the accompanying charts, the number of firms and agents coming under state supervision remained constant with fiscal year 2005 levels.

The Bureau has oversight responsibility for over sixteen hundred broker-dealer firms and state registered investment adviser firms. This oversight also extends to more than 69,000 individuals who currently hold Idaho registrations as broker-dealer agents, investment adviser representatives and issuer agents. This represents a 7.13% increase over the prior fiscal year.



Compliance – In an effort to assure that the securities industry is complying with the Idaho Uniform Securities Act, registration amendments are regularly reviewed to consider changes in the applicant’s business, ownership and new disciplinary information. Bureau staff also investigates investor complaints, reviews advertising and analyzes



financial data on broker-dealer and investment adviser firms. Finally, periodic on-site examinations of broker-dealer and investment adviser offices are conducted to verify compliance with the Act and to educate industry professionals. When a violation is discovered, the Department determines whether sanctions are appropriate. The Bureau may seek fines, deny, suspend or revoke licenses or initiate administrative or court action.

Enforcement – As an enforcement agency, one of the Bureau’s missions is to protect Idaho investors from fraudulent investment schemes. Bureau professionals investigate complaints of possible violations of the Act, negotiate administrative sanctions, bring civil lawsuits and assist in criminal prosecutions to enforce the law. The potential financial impact of securities cases under investigation during the fiscal year totaled over \$27.4 million. Details of the administrative and civil court actions filed or completed by the Department during fiscal 2006 are provided in Exhibit V.

Rescissions & Refunds – As a result of the Bureau’s regulatory enforcement efforts, Idaho residents were offered, or awarded in judgments by the courts, nearly \$3.7 million in refunds on their securities investments. This total includes amounts refunded to Idaho investors due to the administrative enforcement actions described earlier as well as voluntary rescission offers made in accordance with the Act.

Civil Penalties and Administrative Fines –The Bureau assessed total fines and penalties of approximately \$.25 million for fiscal year 2006.

IDAHO MONEY TRANSMITTERS

The Department of Finance is charged with the responsibility of administering and enforcing the *Idaho Money Transmitter Act*. A “money transmitter” is defined as any business engaged in receiving money for transmission or transmitting money within the United States or to locations outside the United States by any and all means including, but not limited to, payment instruments, wire transfers, and facsimile or electronic transfers. At fiscal year end, the Department had 44 licenses issued under this statute.

ENDOWMENT CARE CEMETERIES

A “perpetual” or “endowed care cemetery” is a cemetery where lots are sold under the representation that the cemetery and lots will receive perpetual maintenance and oversight. This “endowed care” is provided free of further cost to the purchaser after payment of the original purchase price for a lot or burial space. All “endowed care” or “perpetual care” cemeteries in Idaho are required to be registered with the Securities Bureau. The purpose of the *Endowment Care Cemetery Act* is to ensure that sound business practices essential to the continued furnishing of endowed or perpetual care are followed.

An endowed or perpetual care cemetery is required to establish an irrevocable trust fund in the sum of at least \$50,000 for the care of the cemetery. The income from the trust fund may only be used for the general care, maintenance, and embellishment of the cemetery.

There are 12 endowed care cemeteries licensed in Idaho. Each of these cemeteries is required to submit a renewal fee and form every year, along with a financial statement for its trust account. The Securities Bureau conducts periodic audits of endowed care cemeteries to verify that the trust funds are being handled properly.

Name of Cemetery	Location
Cloverdale Memorial Park Assoc., Inc.	Boise
Coeur d'Alene Memorial Gardens, Inc.	Coeur d'Alene
Filer Cemetery Association, Inc.	Filer
Hillcrest Memorial Gardens, Inc.	Caldwell
Lakeview Cemetery Association	Sandpoint
Lewis-Clark Memorial Park, Inc.	Lewiston
Mountain View Memorial Park, Inc.	Boise
Pinecrest Memorial Park	Sandpoint
Rosedale Memorial Park, Inc.	Payette
Shoshone Memorial Gardens, Inc.	Pinehurst
Sunset Memorial Park	Twin Falls
Twin Falls Cemetery Association	Twin Falls

IDAHO COMMODITY CODE

The *Idaho Commodity Code* is designed to reduce fraud by outlawing certain commodity investment contracts where the investor never receives delivery of the commodity. The statute provides an enforcement tool to prevent and prosecute illegal and fraudulent schemes involving commodity contracts and to maximize coordination with federal law and laws of other states. It has proven effective in Department lawsuits against fraudulent commodity investment schemes, including several enforcement cases during recent years.

CORPORATE TAKEOVER ACTS

In 1988, the Legislature adopted the *Control Share Acquisition Act* and the *Business Combination Act* to govern certain corporate mergers in Idaho. The first law gives shareholders more authority to decide the terms of a takeover and the second allows a corporation to limit the effects of a takeover. There was no activity by the Department involving Idaho companies covered by these laws during the fiscal year.

CONTINUING-CARE DISCLOSURE ACT

Idaho's *Continuing-Care Disclosure Act* was enacted in 1988 in response to problems caused when residents of an Idaho nursing home lost their money due to embezzlement and mismanagement. The statute regulates entities that offer to provide long-term care and lodging after an advance fee payment often called an "entrance fee". Anyone wanting to offer this type of program is required to register with the Securities Bureau, provide detailed disclosure to purchasers, and adhere to several other requirements. No facility has yet registered to offer this type of program in Idaho.

SUPPORTING SERVICES BUREAU

This Bureau provides operational support to the Director and the chiefs of the other Bureaus in carrying out their program responsibilities. This support is provided through the development and maintenance of the accounting system and records for the Department; maintenance of personnel records; preparation and submission of the Department's budget; providing financial, management and statistical reports; coordination of the Department's business services; and, maintenance of the Department's information technology systems.

The Supporting Services Bureau completed several large projects this year including overseeing design and transition into new office space, and completion of several large databases; including Mortgage Loan Originators, Mortgage Loan Originator Continuing Education, and the first phase of a Case Management database to aid in investigation and enforcement actions.

The following information regarding the Department is included in the following exhibits:

Exhibit II	Summary of Income and Expenses
Exhibit VII	Department of Finance Staff
Exhibit VIII	Americans with Disabilities Act Compliance Statement
Exhibit IX	Civil Rights Grievance Procedure

DEPARTMENT OF FINANCE DIRECTORS/COMMISSIONERS SINCE DATE OF ITS CREATION BY ACT OF LEGISLATURE IN 1905

<u>Director/Commissioner</u>	<u>Term of Office</u>
C. C. Loveland	March 6, 1905 to June 1, 1907
W. S. Chaney	June 1, 1907 to March 6, 1909
William G. Cruse	March 6, 1909 to June 2, 1911
V. W. Platt	June 2, 1911 to February 1, 1913
A. E. Reid	February 1, 1913 to February 6, 1915
G. R. Hitt	February 6, 1915 to January 25, 1919
Jay Givson	January 25, 1919 to September 10, 1920
J. G. Fralick	September 10, 1920 to February 7, 1923
E. W. Potter	February 7, 1923 to February 1, 1931
Ben Diefendorf	February 1, 1931 to January 13, 1937
George W. Wedgwood	January 13, 1937 to January 1, 1939
G. L. Jenkins	January 1, 1939 to January 6, 1941
George W. Wedgwood	January 6, 1941 to January 4, 1943
G. L. Jenkins	January 4, 1943 to January 2, 1945
J. B. Newport	January 4, 1945 to December 28, 1946
William J. Sewell	December 28, 1946 to January 6, 1947
E. F. Haworth	January 6, 1947 to August 15, 1952
Austin Schauweiler	August 15, 1952 to May 14, 1954
R. U. Spaulding	June 17, 1954 to April 14, 1961
J. L. McCarthy	June 1, 1961 to July 9, 1965
Tom D. McEldowney (Acting)	August 10, 1965 to January 31, 1967
John D. Silva	February 1, 1967 to January 4, 1971
Tom D. McEldowney (Acting)	January 4, 1971 to August 29, 1971
Tom D. McEldowney	August 30, 1971 to March 31, 1987
Belton J. Patty	April 1, 1987 to January 1, 1995
Gavin M. Gee (Acting)	January 2, 1995 to March 13, 1996
Gavin M. Gee	March 13, 1996 to Present

EXHIBIT II

SUMMARY OF INCOME AND EXPENSES

July 1, 2005 through June 30, 2006

INCOME BY SOURCE

Dedicated Account-----	\$9,564,632.92
TOTAL INCOME COLLECTED-----	<u>\$9,564,632.92</u>

APPROPRIATION

Dedicated Account-----	\$4,299,300.00
TOTAL APPROPRIATION-----	<u>\$4,299,300.00</u>

EXPENDITURES

Personnel Costs-----	\$3,433,690.00
Operating Expenditures-----	\$778,829.00
Capital Outlay-----	\$82,565.00
TOTAL EXPENDITURES-----	<u>\$4,295,084.00</u>
BALANCE OF APPROPRIATION-----	<u>\$4,216.00</u>

EXPENDITURES BY MAJOR CLASSES

Salaries & Wages-----	\$2,581,020.00
Personnel Benefits-----	\$852,670.00
Communication Services-----	\$72,560.00
Employee Development & Other Services-----	\$122,026.00
Professional Services-----	\$166,319.00
Repairs & Maintenance Service-----	\$12,703.00
Administrative Services-----	\$13,270.00
DP Services-----	\$32,856.00
Employee Travel-----	\$197,854.00
Materials & Supplies-----	\$40,630.00
Insurance-----	\$1,614.00
Rentals & Operating Leases-----	\$106,123.00
Miscellaneous Operating Expenditures-----	\$12,874.00
Capital Outlay-----	\$82,565.00
TOTAL EXPENDITURES BY MAJOR CLASSES-----	<u>\$4,295,084.00</u>

PERSONNEL STATUS	POSITIONS AUTHORIZED	POSITIONS APPROPRIATED	POSITIONS FILLED
Full-Time Employees	51	51	49
Part-Time Employees	1	1	1
TOTALS	52	52	50

FUND SOURCE	
Security Investor Fund-----	\$50,000.00
TOTAL COLLECTED -----	<u>\$50,000.00</u>
 EXPENDITURES	
Personnel Costs-----	\$99.00
Operating Expenditures-----	\$40,700.00
Capital Outlay-----	\$9,159.00
TOTAL EXPENDITURES -----	<u>\$49,958.00</u>
BALANCE OF FUND -----	<u>\$42.00</u>

EXHIBIT III

STATE OF IDAHO
STATE-CHARTERED BANKS AND SAVINGS BANKS*
COMPARATIVE STATEMENT
Close of Business 12/31/05 and 12/31/04
(000's Omitted)

ASSETS	2005	2004	Difference
Cash and Balances Due From Depository Institutions:			
Noninterest-Bearing Balances and Currency and Coins	209,605	130,718	78,887
Interest-Bearing Balances	20,678	54,128	-33,450
Held-to-Maturity Securities	117,177	111,626	5,551
Available-for-Sale Securities	645,481	606,315	39,166
Federal Funds Sold	63,099	47,983	15,116
Securities Purchased Under Agreements to Resell	0	0	0
Loans and Lease Financing Receivables:			
Loans and Leases Held for Sale	34,314	47,234	-12,920
Loans and Leases, Net of Unearned Income	3,469,255	2,763,800	705,455
Less: Allowance for Loan and Lease Losses	48,166	39,997	8,169
Net Loans and Leases	3,421,089	2,723,803	697,286
Assets Held in Trading Accounts	1,417	1,041	376
Premises and Fixed Assets	100,802	82,348	18,454
Other Real Estate Owned	986	4,260	-3,274
Investments in Unconsolidated Subsidiaries	0	0	0
Customers' Liability on Acceptances Outstanding	0	0	0
Goodwill	44,111	32,404	11,707
Other Intangible Assets	3,020	2,384	636
Other Assets	95,742	77,289	18,453
TOTAL ASSETS	4,757,521	3,921,533	835,988
LIABILITIES			
Deposits:			
In Domestic Offices	3,873,755	3,207,600	666,155
Noninterest-Bearing	1,084,916	668,973	415,943
Interest-Bearing	2,788,839	2,538,627	250,212
Federal Funds Purchased	1,921	5,401	-3,480
Securities Sold Under Agreements to Repurchase	160,581	118,845	41,736
Trading Liabilities	0	0	0
Other Borrowed Money	197,416	168,399	29,017
Banks' Liabilities on Acceptances Executed and Outstanding	0	0	0
Subordinated Notes and Debentures	0	0	0
Other Liabilities	42,278	30,091	12,187
TOTAL LIABILITIES	4,275,951	3,530,336	745,615
EQUITY CAPITAL			
Perpetual Preferred Stock and Related Surplus	0	0	0
Common Stock	46,615	42,547	4,068
Surplus	288,936	235,888	53,048
Undivided Profits and Capital Reserves	152,972	114,143	38,829
Accumulated Other Comprehensive Income	-2,482	2,290	-4,772
Other Equity Capital Components	-4,471	-3,671	-800
TOTAL EQUITY CAPITAL	481,570	391,197	90,373
TOTAL LIABILITIES AND EQUITY CAPITAL	4,757,521	3,921,533	835,988

* Includes only state-chartered banks headquartered in Idaho as of 12/31/2005 and 12/31/2004.

Source: Federal Deposit Insurance Corporation

DECEMBER 31, 2005
BANK OF IDAHO
IDAHO FALLS, IDAHO
Charter No. 240
Charter Issued September 13, 1985
Incorporated July 17, 1985

OFFICERS:

Chief Executive Officer: William F. Rigby
President: Park Price
Chief Operating Officer: Jeffrey E. Jones
Chief Financial Officer: Jeff R. Manser

DIRECTORS:

Emma L. Atchley; Ralph M. Hartwell; Kenlon P. Johnson;
Harold L. Latin; Park Price; John Rigby;
William F. Rigby; Fred T. Thompson, Jr.;
Terri Timberman; Ronald R. Warnecke

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	12,677
Interest-Bearing Balances	41
Held-to-Maturity Securities	5,195
Available-for-Sale Securities	46,068
Federal Funds Sold	1,400
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	4,093
Loans and Leases, Net of Unearned Income	134,958
Less: Allowance for Loan and Lease Losses	1,835
Net Loans and Leases	133,123
Assets Held in Trading Accounts	0
Premises and Fixed Assets	4,870
Other Real Estate Owned	78
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	3,032
TOTAL ASSETS	210,577
LIABILITIES	
Deposits:	
In Domestic Offices	171,328
Noninterest-Bearing	56,518
Interest-Bearing	114,810
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	19,944
Trading Liabilities	0
Other Borrowed Money	1,134
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	2,130
TOTAL LIABILITIES	194,536
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	1,402
Surplus	9,014
Undivided Profits and Capital Reserves	5,744
Accumulated Other Comprehensive Income	- 119
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	16,041
TOTAL LIABILITIES AND EQUITY CAPITAL	210,577

DECEMBER 31, 2005
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COEUR D'ALENE, IDAHO
Charter No. 258
Charter Issued May 3, 2001
Incorporated October 16, 2000

OFFICERS:

President & Chief Executive Officer: Max Faller
Chief Financial Officer: Nora Boman

DIRECTORS:

Charles Clock; James Doty; Max Faller; Stanley Feist;
Joseph Haley; Mark Kontos; John Marcheso;
C. Richard Nordstrom; Ben Rolphe; John Shovic;
Wayne Sorensen; Craig Tedmon

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	1,761
Interest-Bearing Balances	1,423
Held-to-Maturity Securities	0
Available-for-Sale Securities	9,371
Federal Funds Sold	1,310
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	0
Loans and Leases, Net of Unearned Income	43,737
Less: Allowance for Loan and Lease Losses	532
Net Loans and Leases	43,205
Assets Held in Trading Accounts	0
Premises and Fixed Assets	541
Other Real Estate Owned	0
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	1,800
TOTAL ASSETS	59,411
LIABILITIES	
Deposits:	
In Domestic Offices	50,252
Noninterest-Bearing	9,727
Interest-Bearing	40,525
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	0
Trading Liabilities	0
Other Borrowed Money	2,896
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	305
TOTAL LIABILITIES	53,453
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	3,269
Surplus	2,211
Undivided Profits and Capital Reserves	559
Accumulated Other Comprehensive Income	- 81
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	5,958
TOTAL LIABILITIES AND EQUITY CAPITAL	59,411

DECEMBER 31, 2005
CITIZENS COMMUNITY BANK
POCATELLO, IDAHO
Charter No. 254
Charter Issued June 6, 1997
Incorporated April 17, 1996

OFFICERS:

President & Chief Executive Officer: Ralph G. Cottle
Chief Financial Officer: Terrill R. Schwartz

DIRECTORS:

Gary N. Blanchard; Michael "Mick" J. Blodnick;
Ralph G. Cottle; H. Brent Hill; Thomas J. Holmes;
W. James Johnston; William A. Knick; James E. Lee;
Diana B. Lyon; Kenneth A. Satterfield; Alan E. Stanek

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	4,609
Interest-Bearing Balances	2,212
Held-to-Maturity Securities	0
Available-for-Sale Securities	4,861
Federal Funds Sold	1,025
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	3,499
Loans and Leases, Net of Unearned Income	111,695
Less: Allowance for Loan and Lease Losses	1,880
Net Loans and Leases	109,815
Assets Held in Trading Accounts	0
Premises and Fixed Assets	4,306
Other Real Estate Owned	51
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	9,553
Intangible Assets	842
Other Assets	3,184
TOTAL ASSETS	143,957
LIABILITIES	
Deposits:	
In Domestic Offices	110,053
Noninterest-Bearing	30,093
Interest-Bearing	79,960
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	0
Trading Liabilities	0
Other Borrowed Money	10,000
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	875
TOTAL LIABILITIES	120,928
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	2,193
Surplus	18,157
Undivided Profits and Capital Reserves	2,710
Accumulated Other Comprehensive Income	- 31
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	23,029
TOTAL LIABILITIES AND EQUITY CAPITAL	143,957

DECEMBER 31, 2005
D. L. EVANS BANK
BURLEY, IDAHO
Charter No. 26
Charter Issued August 29, 1904
Incorporated August 23, 1904

OFFICERS:

Chief Executive Officer: John V. Evans, Jr.
President: John V. Evans, Sr.
Chief Financial Officer: Brenda Sanford

DIRECTORS:

John V. Evans, Jr.; John V. Evans, Sr.; Don S. Evans, Sr.;
Don S. Evans, Jr.; Larry L. Evans; M. DeLell Evans;
Paula D. Evans; Martha Gilgen; Glen R. Kunau; Lex H. Kunau;
James J. Lynch; Susan D. Evans Scarlett; David L. Evans

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	32,366
Interest-Bearing Balances	2,579
Held-to-Maturity Securities	0
Available-for-Sale Securities	64,128
Federal Funds Sold	0
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	1,718
Loans and Leases, Net of Unearned Income	419,466
Less: Allowance for Loan and Lease Losses	5,052
Net Loans and Leases	414,414
Assets Held in Trading Accounts	0
Premises and Fixed Assets	20,423
Other Real Estate Owned	387
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	8,859
TOTAL ASSETS	544,874
 LIABILITIES	
Deposits:	
In Domestic Offices	483,240
Noninterest-Bearing	122,058
Interest-Bearing	361,182
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	14,069
Trading Liabilities	0
Other Borrowed Money	5,000
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	2,802
TOTAL LIABILITIES	505,111
Minority Interest in Consolidated Subsidiaries	0
 EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	901
Surplus	31,225
Undivided Profits and Capital Reserves	7,963
Accumulated Other Comprehensive Income	- 326
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	39,763
 TOTAL LIABILITIES AND EQUITY CAPITAL	 544,874

DECEMBER 31, 2005
FARMERS & MERCHANTS STATE BANK
BOISE, IDAHO
Charter No. 228
Charter Issued September 28, 1967
Incorporated January 20, 1967

OFFICERS:

President & Chief Executive Officer: Michael M. Mooney
Chief Financial Officer: Phillip Pugrud

DIRECTORS:

Terry C. Copple; Clarence Jones;
Jon Miller; Michael M. Mooney;
Edward J. Mulick; Mahlon S. "Lonnie" Park;
Lynne Sterling; Thomas E. Stitzel

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	29,868
Interest-Bearing Balances	566
Held-to-Maturity Securities	1,615
Available-for-Sale Securities	110,010
Federal Funds Sold	0
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	1,007
Loans and Leases, Net of Unearned Income	451,638
Less: Allowance for Loan and Lease Losses	6,653
Net Loans and Leases	444,985
Assets Held in Trading Accounts	0
Premises and Fixed Assets	12,879
Other Real Estate Owned	210
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	10,550
TOTAL ASSETS	611,690
LIABILITIES	
Deposits:	
In Domestic Offices	496,945
Noninterest-Bearing	123,272
Interest-Bearing	373,673
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	48,482
Trading Liabilities	0
Other Borrowed Money	18,671
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	4,070
TOTAL LIABILITIES	568,168
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	4,104
Surplus	26,896
Undivided Profits and Capital Reserves	13,585
Accumulated Other Comprehensive Income	-1,063
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	43,522
TOTAL LIABILITIES AND EQUITY CAPITAL	611,690

DECEMBER 31, 2005
IDAHO BANKING COMPANY
BOISE, IDAHO
Charter No. 250
Charter Issued October 3, 1996
Incorporated May 14, 1996

OFFICERS:

President & Chief Executive Officer: Michael K. Johnston
Chief Financial Officer: Don D. Madsen

DIRECTORS:

V. Dale Babbitt; M. Dean Buffington;
Leo S. Harf; B. Randy Harris; Michael K. Johnston;
Thomas F. Kealey; Tom Morgan

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	5,620
Interest-Bearing Balances	999
Held-to-Maturity Securities	15,164
Available-for-Sale Securities	21,467
Federal Funds Sold	25
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	2,364
Loans and Leases, Net of Unearned Income	134,921
Less: Allowance for Loan and Lease Losses	2,015
Net Loans and Leases	132,906
Assets Held in Trading Accounts	0
Premises and Fixed Assets	3,219
Other Real Estate Owned	0
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	5,817
TOTAL ASSETS	187,581
LIABILITIES	
Deposits:	
In Domestic Offices	151,296
Noninterest-Bearing	30,705
Interest-Bearing	120,591
Federal Funds Purchased	1,421
Securities Sold Under Agreements to Repurchase	3,287
Trading Liabilities	0
Other Borrowed Money	12,650
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	1,627
TOTAL LIABILITIES	170,281
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	4,299
Surplus	10,901
Undivided Profits and Capital Reserves	2,302
Accumulated Other Comprehensive Income	- 202
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	17,300
TOTAL LIABILITIES AND EQUITY CAPITAL	187,581

DECEMBER 31, 2005
IDAHO FIRST BANK
MCCALL, IDAHO
Charter No. 259
Charter Issued September 3, 2005
Incorporated March 3, 2005

OFFICERS:

President & Chief Executive Officer: Greg P. Lovell

DIRECTORS:

Natalie A. Barry; Donald F. Driscoll; James F. Fletcher;
Daniel C. Krahn; Larry LaRocco; Greg P. Lovell;
Terry L. Robinson; Brenda L. Totorica

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	396
Interest-Bearing Balances	0
Held-to-Maturity Securities	0
Available-for-Sale Securities	0
Federal Funds Sold	9,080
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	0
Loans and Leases, Net of Unearned Income	2,751
Less: Allowance for Loan and Lease Losses	45
Net Loans and Leases	2,706
Assets Held in Trading Accounts	0
Premises and Fixed Assets	167
Other Real Estate Owned	0
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	133
TOTAL ASSETS	12,482
LIABILITIES	
Deposits:	
In Domestic Offices	8,005
Noninterest-Bearing	1,295
Interest-Bearing	6,710
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	0
Trading Liabilities	0
Other Borrowed Money	0
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	91
TOTAL LIABILITIES	8,096
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	2,707
Surplus	2,707
Undivided Profits and Capital Reserves	-1,028
Accumulated Other Comprehensive Income	0
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	4,386
TOTAL LIABILITIES AND EQUITY CAPITAL	12,482

DECEMBER 31, 2005
IDAHO INDEPENDENT BANK
COEUR D'ALENE, IDAHO
Charter No. 246
Charter Issued September 7, 1993
Incorporated November 3, 1992

OFFICERS:

Chief Executive Officer: Jack W. Gustavel
President & Chief Operating Officer: Kurt R. Gustavel
Chief Financial Officer: Paul H. Montreuil

DIRECTORS:

Arthur Brown; Rod B. Colwell;
Roy L. Eiguren; James Eisses; Jack W. Gustavel;
Kurt R. Gustavel; Terry Gustavel; Jerald J. Jaeger;
Gary L. Mahn; Ronald B. McIntire

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	21,848
Interest-Bearing Balances	7,912
Held-to-Maturity Securities	0
Available-for-Sale Securities	19,318
Federal Funds Sold	16,937
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	2,221
Loans and Leases, Net of Unearned Income	419,678
Less: Allowance for Loan and Lease Losses	6,787
Net Loans and Leases	412,891
Assets Held in Trading Accounts	1,417
Premises and Fixed Assets	13,159
Other Real Estate Owned	0
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	15,898
TOTAL ASSETS	511,601
LIABILITIES	
Deposits:	
In Domestic Offices	426,524
Noninterest-Bearing	179,401
Interest-Bearing	247,123
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	22,826
Trading Liabilities	0
Other Borrowed Money	9,000
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	7,030
TOTAL LIABILITIES	465,380
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	14,783
Surplus	34,962
Undivided Profits and Capital Reserves	1,029
Accumulated Other Comprehensive Income	- 82
Other Equity Capital Components	-4,471
TOTAL EQUITY CAPITAL	46,221
 TOTAL LIABILITIES AND EQUITY CAPITAL	 511,601

DECEMBER 31, 2005
IRELAND BANK
MALAD, IDAHO
Charter No. 7
Charter Issued May 1, 1899
Incorporated December 8, 1892

OFFICERS:

President & Chief Executive Officer: R. Blair Hawkes
Chief Financial Officer: Lawrence G. Knudsen

DIRECTORS:

Timothy P. Deeg; R. Blair Hawkes; David G. Jenkins;
Jeanne N. Jenkins; Mary Jane Jenkins; David Palfreyman;
Jeff Schutte; Randon W. Wilson

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	4,123
Interest-Bearing Balances	76
Held-to-Maturity Securities	6,230
Available-for-Sale Securities	33,313
Federal Funds Sold	427
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	256
Loans and Leases, Net of Unearned Income	116,599
Less: Allowance for Loan and Lease Losses	1,485
Net Loans and Leases	115,114
Assets Held in Trading Accounts	0
Premises and Fixed Assets	1,136
Other Real Estate Owned	224
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	6,120
TOTAL ASSETS	167,019
LIABILITIES	
Deposits:	
In Domestic Offices	143,447
Noninterest-Bearing	33,284
Interest-Bearing	110,163
Federal Funds Purchased	500
Securities Sold Under Agreements to Repurchase	1,164
Trading Liabilities	0
Other Borrowed Money	7,346
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	735
TOTAL LIABILITIES	153,192
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	302
Surplus	5,367
Undivided Profits and Capital Reserves	8,588
Accumulated Other Comprehensive Income	- 430
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	13,827
TOTAL LIABILITIES AND EQUITY CAPITAL	167,019

DECEMBER 31, 2005
LEWISTON STATE BANK OF IDAHO
PRESTON, IDAHO
Charter No. 257
Charter Issued September 15, 2000
Incorporated May 8, 2000

OFFICERS:

President & Chief Executive Officer: Anthony Jon Hall
Chief Financial Officer: Dale M. Buxton

DIRECTORS:

Verl M. Buxton; Anthony Jon Hall;
Louis C. Hickman; L. Brent Hoggan;
Larry McKnight; Garr B. Morrison;
H. Ward Nielsen; Douglas H. Swenson

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	170
Interest-Bearing Balances	0
Held-to-Maturity Securities	0
Available-for-Sale Securities	11,169
Federal Funds Sold	3,433
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	0
Loans and Leases, Net of Unearned Income	8,015
Less: Allowance for Loan and Lease Losses	109
Net Loans and Leases	7,906
Assets Held in Trading Accounts	0
Premises and Fixed Assets	72
Other Real Estate Owned	0
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	300
TOTAL ASSETS	23,050
LIABILITIES	
Deposits:	
In Domestic Offices	19,440
Noninterest-Bearing	1,833
Interest-Bearing	17,606
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	0
Trading Liabilities	0
Other Borrowed Money	0
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	62
TOTAL LIABILITIES	19,502
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	2,310
Surplus	660
Undivided Profits and Capital Reserves	650
Accumulated Other Comprehensive Income	- 72
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	3,548
TOTAL LIABILITIES AND EQUITY CAPITAL	23,050

DECEMBER 31, 2005
MOUNTAIN WEST BANK
COEUR D'ALENE, IDAHO
Charter No. 256
Charter Issued June 30, 1999
Incorporated June 28, 1999

OFFICERS:

President & Chief Executive Officer: Jon W. Hippler
Chief Financial Officer: Ronn C. Rich

DIRECTORS:

Dennis Downer; Bradley E. Dugdale, Jr.; James English;
Tom Gibson; Jon Hippler; Stephen Meyer;
Marilyn Montgomery; Charles Nipp; J. Michael Patano;
Donald Shepherd; James Strosahl; Thomas K. Thilo

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	30,634
Interest-Bearing Balances	4,119
Held-to-Maturity Securities	0
Available-for-Sale Securities	147,574
Federal Funds Sold	0
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	12,703
Loans and Leases, Net of Unearned Income	538,652
Less: Allowance for Loan and Lease Losses	6,676
Net Loans and Leases	531,976
Assets Held in Trading Accounts	0
Premises and Fixed Assets	18,741
Other Real Estate Owned	18
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	23,159
Intangible Assets	1,127
Other Assets	9,737
TOTAL ASSETS	779,788
LIABILITIES	
Deposits:	
In Domestic Offices	558,280
Noninterest-Bearing	184,724
Interest-Bearing	373,556
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	13,010
Trading Liabilities	0
Other Borrowed Money	121,010
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	7,480
TOTAL LIABILITIES	699,780
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	1,789
Surplus	48,444
Undivided Profits and Capital Reserves	28,550
Accumulated Other Comprehensive Income	1,225
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	80,008
TOTAL LIABILITIES AND EQUITY CAPITAL	779,788

DECEMBER 31, 2005
PANHANDLE STATE BANK
SANDPOINT, IDAHO
Charter No. 238
Charter Issued May 15, 1981
Incorporated December 19, 1980

OFFICERS:

Chief Executive Officer: Curt Hecker
President: Jerrold B. Smith
Chief Operating Officer: Pamela R. Rasmussen
Chief Financial Officer: Douglas Wright

DIRECTORS:

Charles L. Bauer; James T. Diehl; Ford Elsaesser; Curt Hecker;
Ron Jones; Maggie Lyons; Terry Merwin; John B. Parker;
James Patrick; Dennis Pence; Michael J. Romine;
Jerrold B. Smith; Barbara Strickfaden; Douglas P. Ward

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	24,398
Interest-Bearing Balances	250
Held-to-Maturity Securities	6,749
Available-for-Sale Securities	83,847
Federal Funds Sold	11,080
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	5,889
Loans and Leases, Net of Unearned Income	563,368
Less: Allowance for Loan and Lease Losses	8,517
Net Loans and Leases	554,851
Assets Held in Trading Accounts	0
Premises and Fixed Assets	14,238
Other Real Estate Owned	18
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	11,399
Intangible Assets	1,051
Other Assets	19,427
TOTAL ASSETS	733,197
LIABILITIES	
Deposits:	
In Domestic Offices	604,995
Noninterest-Bearing	139,878
Interest-Bearing	465,117
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	37,799
Trading Liabilities	0
Other Borrowed Money	5,000
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	6,291
TOTAL LIABILITIES	654,085
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	2,668
Surplus	56,824
Undivided Profits and Capital Reserves	20,957
Accumulated Other Comprehensive Income	-1,337
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	79,112
TOTAL LIABILITIES AND EQUITY CAPITAL	733,197

DECEMBER 31, 2005
SYRINGA BANK
BOISE, IDAHO
Charter No. 251
Charter Issued February 13, 1997
Incorporated March 8, 1996

OFFICERS:

President & Chief Executive Officer: Jerry F. Aldape
Chief Financial Officer: Jerry F. Aldape

DIRECTORS:

H. Lew Andrews; Hilario "Larry" J. Arguinchona;
Joseph J. Callanan; Scott J. Chandler; Thomas B. Chandler;
Don Deters; Terry Hayden; Cheryl Larrabee; Harvey L. Neef;
Bruce C. Parker; Timothy D. Viehweg; Charles H. Wilson

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin	3,237
Interest-Bearing Balances	501
Held-to-Maturity Securities	0
Available-for-Sale Securities	8,778
Federal Funds Sold	6,674
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	564
Loans and Leases, Net of Unearned Income	143,911
Less: Allowance for Loan and Lease Losses	1,921
Net Loans and Leases	141,990
Assets Held in Trading Accounts	0
Premises and Fixed Assets	978
Other Real Estate Owned	0
Investments in Unconsolidated Subsidiaries	0
Customers' Liability on Acceptances Outstanding	0
Goodwill	0
Intangible Assets	0
Other Assets	1,839
TOTAL ASSETS	164,561
 LIABILITIES	
Deposits:	
In Domestic Offices	139,784
Noninterest-Bearing	26,187
Interest-Bearing	113,596
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase	0
Trading Liabilities	0
Other Borrowed Money	4,709
Bank's Liability On Acceptances Executed and Outstanding	0
Subordinated Notes and Debentures	0
Other Liabilities	1,221
TOTAL LIABILITIES	145,714
Minority Interest in Consolidated Subsidiaries	0
 EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	5,088
Surplus	12,368
Undivided Profits and Capital Reserves	1,453
Accumulated Other Comprehensive Income	- 62
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL	18,847
 TOTAL LIABILITIES AND EQUITY CAPITAL	 164,561

DECEMBER 31, 2005
THE BANK OF COMMERCE
IDAHO FALLS, IDAHO
Charter No. 225
Charter Issued March 30, 1959
Incorporated March 30, 1959

OFFICERS:

President & Chief Executive Officer: Thomas J. Romrell
Chief Financial Officer: Ronald M. Johnson

DIRECTORS:

Richard N. Adams; Bradford C. Bowen;
Julian G. Cowley; Calvin Erb; John W. Erb;
Richard H. Groberg; William Reed

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin.....	37,898
Interest-Bearing Balances	0
Held-to-Maturity Securities	82,224
Available-for-Sale Securities	85,577
Federal Funds Sold	11,708
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	0
Loans and Leases, Net of Unearned Income.....	379,867
Less: Allowance for Loan and Lease Losses	4,659
Net Loans and Leases	375,208
Assets Held in Trading Accounts	0
Premises and Fixed Assets.....	6,073
Other Real Estate Owned.....	0
Investments in Unconsolidated Subsidiaries.....	0
Customers' Liability on Acceptances Outstanding.....	0
Goodwill	0
Intangible Assets.....	0
Other Assets.....	9,046
TOTAL ASSETS	607,734
LIABILITIES	
Deposits:	
In Domestic Offices.....	510,167
Noninterest-Bearing.....	145,941
Interest-Bearing	364,226
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase.....	0
Trading Liabilities	0
Other Borrowed Money	0
Bank's Liability On Acceptances Executed and Outstanding.....	0
Subordinated Notes and Debentures	0
Other Liabilities	7,559
TOTAL LIABILITIES.....	517,726
Minority Interest in Consolidated Subsidiaries	0
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	800
Surplus.....	29,200
Undivided Profits and Capital Reserves	59,910
Accumulated Other Comprehensive Income	98
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL.....	90,008
TOTAL LIABILITIES AND EQUITY CAPITAL.....	607,734

DECEMBER 31, 2005

THE IDAHO COMPANY

BOISE, IDAHO

Charter No. 1

Incorporated November 28, 1986

BIDCO License Issued July 11, 1989

OFFICERS:

Chairman, President, & Chief Executive

Officer: William F. Rigby

DIRECTORS:

Jeffrey Jones; John Rigby;

William F. Rigby; Fred T. Thompson, Jr.;

Shanon Taylor; Ronald Warnecke

	(000's Omitted)
<u>ASSETS</u>	
Cash.....	8
Loan Receivable.....	1,288
Less: Allowance for Loan Losses	132
Net Loans and Leases.....	1,156
Accounts Receivable	4
Interest Receivable	135
Prepaid Expenses.....	0
Other Investments	132
TOTAL ASSETS	1,435
 <u>LIABILITIES</u>	
Accounts Payable	0
Accrued Expenses	10
Notes Payable	378
TOTAL LIABILITIES	388
 <u>EQUITY CAPITAL</u>	
Common Stock.....	983
Capital	154
Contributed.....	
.....	
Retained Earnings	(90)
TOTAL EQUITY CAPITAL	1,047
 TOTAL LIABILITIES AND EQUITY CAPITAL	1,435

EXHIBIT IV

DECEMBER 31, 2005
IDAHO STATE-CHARTERED CREDIT UNIONS
CONSOLIDATED STATEMENT

ASSETS

CASH		\$88,950,314
Unsecured Credit Cards	\$43,374,289	
All Other Unsecured Loans	21,315,113	
New Auto Loans	255,829,568	
Used Auto Loans	305,304,441	
First Mortgage Real Estate Loans	281,763,295	
Other Real Estate Loans	55,894,615	
Leases Receivable	16,017	
Other Loans (Includes Loans Held for Sales)	100,355,416	
TOTAL LOANS		\$1,063,852,754
Less: Allowance for Loan and Lease Losses		-4,774,845
Available for Sale Securities	31,870,579	
Held-to Maturity	10,763,683	
Deposits in Commercial Banks, Savings & Loans, Savings Banks	26,290,965	
Membership Capital and Paid-in Capital at Corporate Credit Unions	10,037,266	
All Other Investments in Corporate Credit Unions	126,349,056	
All Other Investments	7,492,956	
TOTAL INVESTMENTS		\$212,804,505
Other Real Estate Owned	463,408	
Land and Building (Net of Dep)	44,526,475	
Other Fixed Assets	6,716,720	
Shares Insurance Capitalization Deposit	9,500,147	
Other Assets	10,494,248	
TOTAL OTHER ASSETS		\$71,700,998
TOTAL ASSETS		\$1,432,533,726

LIABILITIES, SHARES AND EQUITY

Promissory and other Notes Payable	\$30,209,230	
Dividends / Interest Payable	2,601,068	
Accounts Payable & Liabilities	11,940,394	
TOTAL LIABILITIES		\$44,750,692
Share Drafts	225,502,020	
Regular Shares	395,028,693	
All Other Shares and Deposits	638,617,711	
TOTAL SHARES AND DEPOSITS		\$1,259,148,424
Undivided Earnings	\$86,387,251	
Regular Reserves	42,382,189	
Other Reserves	843,118	
Unrealized Gain/Loss A-F-S SEC	-977,948	
Other Comprehensive Income	0	
TOTAL EQUITY		\$128,634,610
TOTAL SAVINGS AND EQUITY		\$1,387,783,034

TOTAL LIABILITIES AND EQUITY	\$1,432,533,726
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December 31, 2005
STATE OF IDAHO
STATE-CHARTERED CREDIT UNIONS

TOTAL ASSETS

	12/31/2005	12/31/2004
BOISE		
Boise Credit Union	*	15,680,290
Boise Fire Department Credit Union	5,665,403	5,609,937
Boise Valley Credit Union	700,454	657,700
E.S.A. Credit Union	6,059,800	6,744,532
Health Care Idaho Credit Union	9,357,600	8,947,674
Idaho United Credit Union	23,066,128	21,085,965
Mountain View Credit Union	**	5,352,780
St. Alphonsus Medical Credit Union	4,611,058	3,772,111
Western Equipment Employees Credit Union	1,083,550	1,540,897
BURLEY		
Cassia County Education Association Credit Union	3,243,861	3,443,367
M.A.P. Credit Union	1,626,771	1,791,671
Mini-Cassia Employees Credit Union	615,620	645,826
SIMCOE Credit Union	5,206,560	5,401,055
CALDWELL		
Canyon Medical Health Credit Union	23,536,133	17,803,964
Simplot Employees Credit Union	27,547,365	32,275,646
COEUR D' ALENE		
Public Employees	8,764,888	9,190,096
EMMETT		
Payette River Credit Union	6,361,502	5,210,254
GRANGEVILLE		
Pine Tree Credit Union	21,842,098	25,715,126
IDAHO FALLS		
East Idaho Credit Union	157,905,796	140,925,272
Idaho Falls Teachers Credit Union	13,462,048	13,665,717
Medical and Professional Credit Union	30,912,006	30,002,212
Westmark Credit Union	346,754,019	315,827,124
INKOM		
Inkom Cement Workers Credit Union	1,656,159	1,551,882
	12/31/2005	12/31/2004
KAMIAH		
Kamiah Community Credit Union	22,288,660	24,473,474

LEWISTON

Clearwater Credit Union	26,253,977	29,492,204
Lewis Clark Credit Union	18,762,563	17,267,420
Lewiston Catholic Credit Union	478,858	422,533
Tribune Credit Union	703,471	735,027

MENAN

Jefferson County Public Employees Credit Union	624,053	674,888
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NAMPA

Canyon Teachers Credit Union	***	5,734,342
Idadiv Credit Union	38,841,131	32,407,589
Northwest Christian Credit Union	26,228,507	24,999,019
QUINCO Credit Union	12,902,963	12,450,108
Valley Credit Union	9,259,448	9,140,830

OROFINO

Orofino Community Credit Union	5,533,552	4,795,668
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PIERCE

White Pine Credit Union	5,276,915	5,441,702
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PINEHURST

Shoshone County School Employees Credit Union	913,752	924,077
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POCATELLO

Idaho Central Credit Union	466,663,763	391,013,844
Pocahy Family Credit Union	12,763,700	13,224,559
Pocatello Simplot Credit Union	31,998,954	29,974,282
Potelco United Credit Union	43,270,270	38,688,800

SHELLEY

Shell-Fir Credit Union	975,931	1,092,155
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ST. MARIES

St. Joe Valley Credit Union	8,599,891	8,296,661
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TWIN FALLS

Times- News Employees Credit Union	214,568	220,936
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Total

1,432,533,726	1,324,311,216
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* Merged with IDAHY Federal Credit Union on January 1, 2005

** Merged with Canyon Medical Health Credit Union on
December 1, 2005

*** Merged with Capital Educators Federal Credit Union on
May 1, 2005

**OUT-OF-STATE CREDIT UNIONS
WITH OFFICES IN IDAHO
(Idaho Assets Only)**

	12/31/2005	12/31/2004
Global Credit Union, Spokane, WA	66,529,373	54,693,752
Horizon Credit Union, Spokane, WA	59,923,250	53,224,039
Numerica Credit Union, Spokane WA	58,565,221	57,642,614
Silverado Credit Union, Angwin, CA	1,162,835	1,069,026
Total	<hr/> 186,180,679	166,629,431

TOTAL	1,618,714,405	1,490,940,647
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SECURITIES BUREAU SANCTIONS REPORT

I. CIVIL ENFORCEMENT ACTIONS INITIATED OR COMPLETED UNDER THE IDAHO SECURITIES ACT/UNIFORM SECURITIES ACT

April 17, 2006

PHILIP G. OLESON, Eagle, ID – The Fourth District Court in Boise entered a judgment and permanent injunction against Eagle resident, Philip G. Oleson. Oleson consented to the entry of the Court's order. The order arose from a civil securities suit that alleged Oleson and co-defendant David A. Higginbotham sold unregistered promissory notes, acted as an unlicensed broker-dealer and violated the anti-fraud provisions of the Idaho Securities Act.

Oleson consented to be permanently enjoined from engaging in future violations of the Act, agreed to withdraw his Idaho Investment Adviser registration but is permitted to act as an agent for another investment advisory firm, and will repay \$77,745 to investors.

January 17, 2006

PHILIP GARDNER, Newport Beach, CA; SEASCAPE MANAGEMENT, Newport Beach, CA - The Idaho Department of Finance filed a lawsuit against Philip Gardner and his company, Seascope Management in January, 2006 alleging violations of the Idaho Securities Act. The Department's lawsuit alleged that the Gardner and Seascope sold unregistered stock in InfoSPI.com and were not registered themselves to sell securities. The lawsuit also alleged the defendants violated the anti-fraud provisions of the Act in the course of this conduct.

October 21, 2005

ARIZONA IDAHO MINING LLC; DOUGLAS L. BAKER, The Idaho Department of Finance filed a civil securities lawsuit against the above defendants in Fourth District Court in Boise. The complaint alleges that the defendants violated the anti-fraud provisions of the Idaho Securities Act by making material misrepresentations and omission while raising investment monies for mining projects in Idaho and Arizona.

On October 21, 2005, the Fourth District Court in Boise entered judgment against Arizona Idaho Mining, LLC when that company ceased to defend itself. The Court's order found that Arizona Idaho Mining violated the Idaho Securities Act, enjoined the company from engaging in misrepresentations or omissions in connection with the offer or sale of securities and places restrictions on the company's future securities activities in Idaho. The Court also

ordered the company to repay over \$1.73 million to affected Idaho investors.

December 8, 2004 and
March 7, 2005

THEODORE SEBASTIAN HAUKE AKA SCOTT THOMAS ALLEN, Boise, ID – The Idaho Department of Finance filed a civil securities lawsuit against Theodore Sebastian Hauk in the Fourth District Court in Boise on December 8, 2004.

The complaint alleged that Hauk violated the antifraud provisions of the Idaho Securities Act when he offered securities in his carpentry/furniture business. Among the fraudulent acts alleged by the Department was that Hauk misrepresented to investors that the investment funds would be used to purchase equipment and supplies for the business and that he instead used the funds to pay for his own personal obligations and entertainment expenses.

On March 7, 2005, the Court entered a default judgment against Hauk, finding that he had violated the Idaho Securities Act, and placing restrictions on any future securities activities in Idaho. The Court also ordered that Hauk repay Idaho investors, and imposed penalties and costs in excess of \$40,000.

December 10, 2004

DAVID A. HIGGINBOTHAM, Boise, ID – The Fourth Judicial District Court in Boise, entered a default judgment and permanent injunction against Boise resident David A. Higginbotham.

The lawsuit alleged that Higginbotham sold unregistered promissory notes, acted as an unlicensed broker-dealer, and violated the anti-fraud provisions of the Idaho Securities Act. Additionally, the lawsuit alleged that Higginbotham engaged in fraudulent conduct, including misrepresenting to investors the safety of various securities by claiming the notes were collateralized or otherwise secured by certain assets.

In its order, the Court found that Higginbotham violated the Idaho Securities Act, enjoined Higginbotham from engaging in misrepresentations or omissions in connection with the offer, sale or purchase of securities, and placed restrictions on his future securities activities. The Court also ordered Higginbotham to repay Idaho investors more than \$426,000 and imposed penalties of \$270,000, attorneys fees and costs payable to the Department.

September 23, 2005

SALT LAKE CITY WIRELESS, LLC; STEVEN WAYNE OLSON, Boise, ID – The Fourth District Court in Boise handed down a permanent injunction and order of restitution against Steven Wayne Olson and his company, Salt Lake City Wireless, both of Boise after the defendants ceased to defend themselves.

The State's complaint alleged that the defendants offered and sold securities in the form of membership interests in Salt Lake City Wireless when the securities were not registered and the defendants were not licensed to sell securities in Idaho. The Department also alleged the defendants made misrepresentations and omissions including claiming an investor could anticipate a return on investment of 460% without a reasonable basis for such claim, and failing to disclose that a portion of investors' monies would be used for Olson's personal expenses, including trips to Las Vegas and Reno, Nevada, and the purchase of vehicles.

The court found that Olson violated the Idaho Securities Act and permanently enjoined the Olson from future violations of the securities laws, placing limitations on future business activities and restitution of \$65,000 to affected investors, plus civil penalties and attorney fees.

II. ADMINISTRATIVE SANCTIONS & ORDERS ISSUED UNDER THE IDAHO SECURITIES ACT

April 19, 2006

SHANE M. TURNER, Boise, ID; NETWORK FINANCIAL SERVICES, LLC (operating as NETWORK INVESTMENTS), Boise, Idaho and Seattle, WA – Order to Cease and Desist - The Idaho Department of Finance issued a Cease and Desist Order to Shane M. Turner and Network Financial Services ordering a halt to the offer and sale of purportedly “SIPC insured” corporate certificates of deposit in Idaho. The order alleges that Turner and the company engaged in the offer or sale of unregistered securities and violated the anti-fraud provisions of the Uniform Securities Act. The order also alleged that Turner was “selling away” – a prohibited practice where a securities broker engages in business outside his regular employment without the authorization of his employer.

December 14, 2005

5YEARBOND aka 5yearbond.com, Zurich, Switzerland – Order to Cease and Desist – The Idaho Department of Finance Order issued a Cease and Desist Order to this purported internet-based investment firm ordering it cease violations of Idaho law in connection with its efforts to raise investment capital. The location of the firm and its principals is unknown, but the web domain name is registered to an address in Zurich, Switzerland. The Order alleges both registration and anti-fraud violations of the Uniform Securities Act by the Respondent.

December 12, 2005

INTERNATIONAL SECURITIES VERIFICATION CENTER- Internet only – Announcement of Public Investigation – The Department announced its investigation into the activities of International Securities Verification Center (ISVC), a purported “international securities regulator” that claims to operate from Boise, Idaho. The claimed address is a residence whose occupants have no association with ISVC. Information gathered by the Department suggests ISVC is associated with a cold-call solicitation scheme that attempts to purchase near-worthless stock from shareholders and collect a fee from shareholders for removing any restrictions on the stock.

EXHIBIT VI

CONSUMER FINANCE BUREAU SANCTIONS REPORT

I. ORDERS ISSUED UNDER THE IDAHO CREDIT CODE

- August 9, 2005 **CHECK TO CASH LLC** (Idaho Falls and Rexburg, ID) –Agreement and Order–Respondent failed to timely file complete license renewal applications for two payday loan locations. Specifically, Respondent failed to demonstrate the minimum liquid asset requirement.
- The Respondent agreed to pay an administrative penalty of \$1,500.00, plus \$500.00 attorney fees and comply with all provisions of the Idaho Payday Loan Act. \$1,000 of the administrative penalty was suspended conditioned upon 1) the submission of complete renewal applications for its two payday loan licenses, and 2) acceptable documentation evidencing the liquid asset requirement for payday lenders.
- Respondent remains licensed in Idaho.
- October 7, 2005 **CDA TITLE LOAN** (Coeur d’Alene, ID) – Order Revoking Regulated Lender License –The Department filed an Order to Show Cause why Respondent’s license should not be revoked for failure to timely notify the Director that the licensed location had changed or closed.
- Respondent failed to respond to the Order to Show Cause or appear at the scheduled hearing. Based upon the Hearing Officer’s finding that Respondent failed to timely notify the Director of a change of the location of its business, or that any location had been closed, the Respondent’s regulated lender license was revoked.
- October 7, 2005 **BITTERROOT, LLC** (Lewiston, ID) -- Order Revoking Regulated Lender License –The Department filed an Order to Show Cause why Respondent’s license should not be revoked for failure to timely notify the Director that the licensed location had changed or closed.
- Respondent failed to respond to the Order to Show Cause or appear at the scheduled hearing. Based upon the Hearing Officer’s finding that Respondent failed to timely notify the Director of a change of the location of its business, or that any location had been closed, the Respondent’s regulated lender license was revoked.
- December 13, 2005 **MINUTEMAN CASH, LLC** (Rupert and American Falls, ID)— Agreement and Order of Temporary Suspension of Payday Lender Licenses—The Department alleged that the Respondent 1) committed fraud, engaged in a dishonest activity, or made misrepresentations, 2)

demonstrated incompetence or untrustworthiness to act as a licensee, and 3) failed to maintain \$40,000.00 in liquid assets as required for licensure.

Without admitting or denying the Department's allegations, the Respondent agreed to, 1) a temporary sixty-day suspension of its payday lender licenses, 2) provide an adequate showing to the Department evidencing the liquid asset requirement, 3) pay an administrative penalty of \$7,500.00 plus \$5,000.00 investigative and attorney fees, and 4) comply with all provisions of the Act.

Respondent remains licensed in Idaho.

II. ORDERS ISSUED UNDER THE IDAHO COLLECTION AGENCY ACT

October 14, 2005 **PHILLIPS & COHEN ASSOCIATES, LTD** (Westampton, New Jersey) –Order Denying Application For A Collection Agency Permit and to Cease and Desist from Collection Activity–The Order found that the Respondent had operated as a collection agency, collection bureau or collection office in Idaho without a permit in violation of the Idaho Collection Agency Act. Specifically, the Respondent engaged in collection activities in Idaho without first obtaining the required permit under the Idaho Collection Agency Act.

The Respondent requested a Motion for Reconsideration of the Order of Denial. Respondent consented to the entry of an Agreement and Order as resolution. Respondent agreed to, 1) pay the Department a \$10,000.00 administrative penalty and \$2,000.00 as investigative and attorney fees, 2) abide by all provisions of the Idaho Collection Agency Act, the Fair Debt Collection Practices Act, and all rules promulgated thereunder and 3) respond promptly to any inquiries or requests for information received from the Department.

Respondent is now licensed in Idaho.

November 15, 2005 **FAMILY FINANCIAL EDUCATION FOUNDATION** (Evanston, WY) – Agreement and Order –The Respondent admitted violations of the Idaho Collection Agency Act. Specifically, the Order found that the Respondent had operated as a debt counselor in Idaho without a permit in violation of the Idaho Collection Agency Act.

The Respondent agreed to, 1) pay the Department a \$2,000.00 administrative penalty and \$1,000.00 for investigative and legal fees,

and 2) abide by all provisions of the Idaho Collection Agency Act and all rules promulgated thereunder.

Respondent is now licensed in Idaho.

May 22, 2006

BANNOCK COLLECTIONS, INC dba BCI CHECK RECOVERY (Pocatello, ID) – Order to Cease and Desist and Notice of Opportunity for a Hearing—The Order found that the Respondent had committed violations of the Idaho Collection Agency Act and the Idaho Financial Fraud Prevention Act. Specifically, the Order found that the Respondent had, 1) operated as a collection agency in Idaho without a permit in violation of the Idaho Collection Agency Act, 2) failed to timely remit creditor monies, 3) failed to deal openly, fairly, and honestly, without deception, 4) prepared false records and 5) falsely represented itself as a financial institution.

Respondent was ordered to, 1) immediately cease and desist from operating its collection agency business, and 2) provide the Department true and correct copies of the records required to be maintained under the Act within 30 days. Additionally, the Order notified the Respondent of the Director's intent to, 1) impose a \$2,500.00 civil penalty for each violation of the Act, 2) issue an order restoring to any person in interest any consideration that may have been acquired or transferred in violation of such Acts and issue an order that the Respondent pay costs, to include reasonable attorney fees, and reimbursement for the Department's investigative costs.

At the close of fiscal 2006, the Department's investigation of Bannock Collections, Inc. was still pending.

III. ORDERS ISSUED UNDER THE IDAHO RESIDENTIAL MORTGAGE PRACTICES ACT-Mortgage Companies

July 25, 2005

ANITA YEKEL dba WHITE KNIGHT MORTGAGE (Boise, ID)—Cease and Desist Order--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent was found to have engaged in unlicensed mortgage brokering/lending activity.

Respondent was ordered to immediately cease and desist from engaging in further unlicensed mortgage brokering and mortgage lending activities in Idaho, and from any other violations of the Act.

- July 26, 2005 **ACCESS MORTGAGE COMPANY, INC** (Seattle, WA)—Agreement and Order--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent was found to have engaged in unlicensed mortgage brokering/lending activity.
- The Respondent admitted the allegations and agreed to, 1) pay an administrative penalty of \$15,000.00, and 2) comply with all provisions of the Act and promulgated rules. The Department agreed to accept and consider a licensing application submitted by Respondent.
- August 3, 2005 **PRIME WEST FINANCIAL LTD** (Seattle, WA)—Agreement and Order--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent was found to have filed false information on its 2005 annual renewal form.
- The Respondent admitted the allegations and agreed to 1) pay an administrative penalty of \$1,000.00 and 2) abide by all provisions of the Act.
- Respondent remains licensed in Idaho.
- August 19, 2005 **CHRISTIAN ROBERTS MTG., LLC** (Midvale, UT)—Complaint for Revocation or Suspension of Mortgage Broker/Lender License--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent was found to have filed false information on its 2003/2004 and 2004/2005 annual renewal forms.
- Respondent entered into an Agreement and Order resolving allegations set forth in the Complaint in which the Respondent admitted the allegations and agreed to, 1) pay an administrative penalty of \$1,500.00, and 2) abide by all provisions of the Act and promulgated rules.
- Respondent remains licensed in Idaho.
- October 18, 2005 **PACWEST FUNDING, INC. (Boise, ID)**—Complaint for Revocation of Mortgage Broker/Lender License--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent failed to maintain a required surety bond.
- Respondent entered into an Agreement and Order resolving allegations set forth in the Complaint in which the Respondent agreed to, 1) pay an administrative penalty of \$1,000.00, and 2) comply with all provisions of the Act in the future.

Respondent remains licensed in Idaho.

October 18, 2005

CARSON MORTGAGE CAPITAL, LLC (Post Falls, ID)—Agreement and Order--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent was found to have, 1) engaged in unlicensed activity under the Act, 2) failed to timely notify the Department of the change of its location from California to Idaho, 3) engaged in the business of mortgage brokering/lending at a place for which it did not hold a license, and 4) made a misrepresentation by alleging in an Idaho-addressed informational brochure that Respondent was licensed with the Department.

Respondent admitted to the allegations and agreed to, 1) pay an administrative penalty of \$10,000.00, of which \$5,000.00 was suspended on condition that Respondent complies with all terms and conditions of the Order, 2) pay consumer restitution of \$52,000.00, and 3) abide by all provisions of the Act and promulgated rules.

Respondent remains licensed in Idaho.

November 7, 2005

RPM LENDING, INC. (Aliso Viejo, CA)—Order Denying Application for a Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent filed an application for a license which was incomplete. Specifically, the Respondent failed to provide information reasonably required by the Director to determine character and fitness of the Respondent and its president, failed to provide evidence of surety bond, and failed to respond to deficiency notifications.

November 23, 2005

A3A FINANCIAL GROUP, INC. (Glendale, CA)—Complaint for Revocation or Suspension of Mortgage Broker/Lender License and Termination of Regulated Lender License--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent was found to have, 1) engaged in unlicensed mortgage brokering/lending activities, and 2) engaged in misrepresentation to the Department.

Respondent entered into an Agreement and Order resolving allegations set forth in the Complaint in which the Respondent agreed to, 1) voluntarily cease engaging in mortgage brokering/lending activity in Idaho for a period of 90 days, 2) pay an administrative fee of \$3,000.00, 3) pay \$1,500.00 as investigative and attorney fees, and 4) comply with all provisions of the Idaho Residential Mortgage Practices Act, promulgated rules under the Act, and all federal laws and regulations applicable to its mortgage brokering/lending business in Idaho.

Respondent remains licensed in Idaho.

December 2, 2006 **FLETCH FUNDING, INC., dba MORTGAGE NET SAWTOOTH (Seattle, WA)**—Order Revoking Mortgage Broker/Lender License--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent failed to maintain a surety bond.

The Respondent failed to file an answer to the Department's Complaint for Revocation of Mortgage Broker/Lender License and a revocation order was subsequently issued.

January 5, 2006 **AMERICA ONE FINANCE, INC** (Bellevue, WA)—Agreement and Order--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent admitted to, 1) conducting mortgage brokering or mortgage lending activities in Idaho from an unlicensed branch location, 2) failing to properly disclose fees and other items, and 3) failing to diligently supervise and control the mortgage-related activities of its independent contractor.

Respondent agreed to, 1) pay an administrative penalty of \$3,000.00 plus an additional \$1,000.00 as attorney fees, and 2) comply with all provisions of the Act and promulgated rules in the future.

Respondent remains licensed in Idaho.

January 6, 2006 **COVENTRY MORTGAGE, LLC** (Boise, ID)—Order to Cease and Desist--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent was found, 1) to be conducting mortgage brokering or mortgage lending activities in Idaho from an unlicensed branch location, and 2) to be maintaining an insufficient surety bond.

Respondent was ordered to immediately cease and desist from engaging in further unlicensed mortgage brokering and mortgage lending activities in Idaho, and from any other violations of the Act.

Respondent remains licensed in Idaho.

January 9, 2006 **FIRST OPTION MORTGAGE, INC.** (Boise, ID)—Order of Denial of Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent had committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent was found to have engaged in mortgage brokering or mortgage lending activities in Idaho from an unlicensed branch location on multiple occasions.

Respondent requested a hearing regarding the Order of Denial and as of the end of fiscal 2006 the matter remains open.

February 6, 2006

CHERRY CREEK MORTGAGE CO., INC (Greenwood Village, CO)—Agreement and Order--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent admitted to conducting mortgage brokering or mortgage lending activities in Idaho from unlicensed branch locations.

Respondent agreed to, 1) pay an administrative penalty of \$8,000.00 and \$2,000.00 in attorney fees, and 2) comply with all provisions of the Act and promulgated rules in the future. \$3,000.00 of the administrative penalty was suspended based upon the Respondent's forthrightness.

Respondent remains licensed in Idaho.

February 7, 2006

KEY MORTGAGE CORPORATION (Moscow, ID)—Agreement and Order--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent admitted to, 1) conducting mortgage brokering or mortgage lending activities in Idaho from an unlicensed branch location, and 2) failing to diligently supervise and control the mortgage-related activities of its designated qualified person in charge and loan originator at the branch location.

Respondent agreed to, 1) pay an administrative penalty of \$2,000.00 and \$750.00 in attorney fees, and 2) comply with all provisions of the Act and promulgated rules in the future.

Respondent remains licensed in Idaho.

February 17, 2006

MORTGAGE EXPRESS, LLC (Portland, OR)—Order of Denial of Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent filed an application for a license which was incomplete. Specifically, the Respondent failed to respond to deficiency notifications or voluntarily withdraw its application.

February 17, 2006

LENDING FIRST HOME LOANS, INC (Santa Ana, CA)—Cease and Desist Order--The Respondent was found to have committed violations of the Idaho Residential Mortgage Practices Act. Specifically, Respondent was found to have violated RESPA, 24 CFR 3500.14(b), said regulation being incorporated into the Act and promulgated rules, by soliciting regulated activity and offering payment for referrals.

Respondent was ordered to immediately cease and desist from giving or accepting any fee, kickback or other thing of value pursuant to any

agreement or understanding, oral or otherwise, that business incident to or part of a settlement service involving a federally related mortgage loan shall be referred to any person.

- February 22, 2006 **JOHN B. GILLESPIE dba ALPINE MORTGAGE** (Menlo Park, CA)—Order of Denial of Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent filed an application for a license which was incomplete. Specifically, the Respondent failed to respond to deficiency notifications or voluntarily withdraw its application.
- February 22, 2006 **RESIDENTIAL MORTGAGE CAPITAL dba FIRST SECURITY LOAN** (San Rafael, CA)-- Order of Denial of Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent filed an application for a license which was incomplete. Specifically, the Respondent failed to respond to deficiency notifications or voluntarily withdraw its application.
- February 22, 2006 **OLD MILL MORTGAGE GROUP, LLP dba OLD MILL MORTGAGE** (Bend, OR)--Order of Denial of Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent filed an application for a license which was incomplete. Specifically, the Respondent failed to respond to deficiency notifications or voluntarily withdraw its application.
- February 22, 2006 **PARK CAPITOL MORTGAGE** (Salt Lake City, UT)-- Order of Denial of Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent filed an application for a license which was incomplete. Specifically, the Respondent failed to respond to deficiency notifications or voluntarily withdraw its application.
- February 22, 2006 **AMERICAN FIDELITY, INC.** (Baton Rouge, LA)-- Order of Denial of Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent filed an application for a license which was incomplete. Specifically, the Respondent failed to respond to deficiency notifications or voluntarily withdraw its application.
- February 22, 2006 **CLEAR CHOICE MORTGAGE, LLC** (Portland, OR)-- Order of Denial of Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent filed an application for a license which was incomplete. Specifically, the Respondent failed to respond to deficiency notifications or voluntarily withdraw its application.

February 22, 2006 **GOLDEN FIRST MORTGAGE CORP.** (Great Neck, NY)-- Order of Denial of Mortgage Broker/Lender License--The Department denied the Respondent's application for a mortgage broker/lender license, concluding that the Respondent filed an application for a license which was incomplete. Specifically, the Respondent failed to respond to deficiency notifications or voluntarily withdraw its application.

IV. ORDERS ISSUED UNDER THE IDAHO RESIDENTIAL MORTGAGE PRACTICES ACT—Loan Originators

May 3, 2006 **KEN CRANDLE WILSON aka KENNETH CRANDLE WILSON** (Marsing, ID)—Final Order--The Hearing Officer upheld the Department's Order of Denial of Mortgage Loan Originator License dated March 2, 2006 after Respondent failed to appear at a scheduled hearing contesting the Order.

The Department denied the Respondent's application for a Mortgage Loan Originator License, concluding that the character and fitness of the Respondent were not such as to warrant belief that he would operate honestly and fairly as a loan originator within the purposes of the Act. The Department alleged that the Respondent filed an application which was false or misleading with respect to material facts and that the Respondent failed to provide information on the application as reasonably required by the Director.

V. ORDERS ISSUED UNDER THE IDAHO ESCROW ACT

June 16, 2006 **BANKER TRUST ESCROW COMPANY, HEATHER DOE, MICHAEL DOE, and JOHN AND JANE DOES 1 – 10** (www.Banker-Trust.com-No Physical Address Verified)—Order to Cease and Desist--The Respondents were found to have committed violations of the Idaho Escrow Act and the Idaho Financial Fraud Prevention Act. Specifically, the Respondents, 1) engaged in unlicensed escrow activity in Idaho, and 2) falsely represented they were a financial institution or a representative of a financial institution for the purpose of obtaining money, goods, or services from any person.

Respondents were ordered to cease and desist from violating the Idaho Escrow Act and the Financial Fraud Prevention Act, specifically from 1) soliciting residents of the state of Idaho and other states, to enter into escrow transactions with or through Respondents, 2) stating on the website or in any other medium that they are an escrow company located in Idaho, 3) stating on the website or in any other medium that they are the largest escrow company in Idaho, 4) stating on the website or in any other medium that they are fully licensed and accredited as an escrow company by the state of Idaho, and 5) falsely representing on their website or in any other medium that they are a financial institution performing escrow services.

June 21, 2006

BANKER TRUST ESCROW COMPANY, FEDERAL TRUST ESCROW CORPORATION, and JOHN AND JANE DOES 1 – 10 (www. Banker-Trust.com-No Physical Address Verified)—Order to Cease and Desist--The Respondents were found to have committed violations of the Idaho Escrow Act and the Idaho Financial Fraud Act. Specifically, the Respondents, 1) engaged in unlicensed escrow activity in Idaho, and 2) falsely represented they were a financial institution or a representative of a financial institution for the purpose of obtaining money, goods, or services from any person.

Respondents were ordered to cease and desist from violating the Escrow Act and the Financial Fraud Act, specifically from, 1) soliciting residents of the state of Idaho and other states to enter into escrow transactions with or through Respondents, 2) stating on their website or in any other medium that they are escrow companies or any other types of financial institutions located in Idaho, 3) stating on the website or in any other medium that they are the largest escrow company in Idaho, and 4) stating on the website or in any other medium that they are fully licensed and accredited as escrow companies by the state of Idaho.

DEPARTMENT OF FINANCE STAFF - JUNE 30, 2006

ADMINISTRATION

Gavin M. Gee	Director of Finance
Shirley A. Whitney	Administrative Assistant 2
A. Rene Martin	Deputy Attorney General (on assignment from AG)
Joseph B. Jones	Deputy Attorney General (on assignment from AG)
Renea A. Ridgeway	Paralegal (on assignment from AG)

SUPPORTING SERVICES BUREAU

David L. Jensen	Supporting Services Bureau Chief
David S. Wentland	IT Systems Integration Analyst, Sr.
Erik P. Jorgensen	Web Developer
Paula J. Kaptan	Personnel Technician
Jill R. Peterson-Pate	Financial Technician
Kari N. Welch	Office Specialist 2
Vacant	IT Database Analyst, Associate

FINANCIAL INSTITUTIONS BUREAU

Mary E. Hughes	Financial Institutions Bureau Chief
Nancy G. Page	Administrative Assistant 1
Bryce C. J. Baertsch	Financial Institutions Examiner, Commissioned Sr.
George L. Baker	Financial Institutions Examiner, Commissioned Sr.
Brad P. Bergquist	Financial Institutions Examiner, Commissioned Sr.
Bruce M. Eames	Financial Institutions Examiner, Commissioned Sr.
Larry D. Chandler	Financial Institutions Examiner, Commissioned
Rita R. Roach	Financial Institutions Examiner, Commissioned
Rick J. Sherrick	Financial Institutions Examiner 3*
Sam F. Blake	Financial Institutions Examiner 2*
Mark W. Boschulte	Financial Institutions Examiner 2*
Connie D. Newgard	Financial Institutions Examiner 2*
Juan J. Rosado	Financial Institutions Examiner 2*
Seth J. Ruhter	Financial Institutions Examiner 2*
Megan L. Conrad	Financial Institutions Examiner 1*
Andrew C. Forth	Financial Institutions Examiner 1*

*underfilling Financial Institutions Examiner, Commissioned

CONSUMER FINANCE BUREAU

Michael Larsen	Consumer Finance Bureau Chief
Karen A. Carlyle	Administrative Assistant 1
Martha (Marti) L. Cooper	Administrative Assistant 1
Tiffany N. Faylor	Administrative Assistant 1
Naomi N. Carr	Office Specialist 2
Cina S. Treese	Office Specialist 2
Anthony T. Polidori	Supervising Examiner/Investigator
Karlyne C. (K.C.) Schaler	Supervising Examiner
Jo Ann Lanham	Consumer Affairs Officer
Richard A. Dekker	Financial Examiner/Investigator 1
Holly A. Frenette	Financial Examiner/Investigator 1
Billie Kay Havery	Financial Examiner/Investigator 1
Daniel D. Kline	Financial Examiner/Investigator 1
Jan L. Kochan	Financial Examiner/Investigator 1
Erin J. Van Engelen	Financial Examiner/Investigator 1
Vacant	Financial Examiner/Investigator 1

DEPARTMENT OF FINANCE STAFF - JUNE 30, 2006 (Cont)

SECURITIES BUREAU

Marilyn T. Chastain	Securities Bureau Chief
Katy M. Witt	Administrative Assistant 1
Ginnie L. Sorensen	Securities Technician
Mary J. Harper	Technical Records Specialist 1
Patricia R. Highley	Securities Examiner (Lead)
Nancy C. Ax	Securities Examiner
Walter L. Bitner	Securities Examiner
James A. Burns	Securities Investigator (Lead)
Coleen F. Hodson	Securities Investigator
Timothy D. Martin	Securities Investigator

DEPARTMENT OF FINANCE STAFF - YEARS OF STATE SERVICE AS OF JUNE 30, 2006
Recognizing Over 500 Years of Combined Service to the State of Idaho

Shirley A. Whitney	36.7	Years of Service
Gavin M. Gee	31.4	Years of Service
Nancy G. Page	29.9	Years of Service
Bryce C. J. Baertsch	29.8	Years of Service
Brad P. Bergquist	25.7	Years of Service
Paula J. Kaptan	24.0	Years of Service
George L. Baker	23.7	Years of Service
Katy M. Witt	22.5	Years of Service
Ginnie L. Sorensen	22.0	Years of Service
Larry D. Chandler	19.6	Years of Service
Marilyn T. Chastain	19.2	Years of Service
Jim A. Burns	19.0	Years of Service
Tim D. Martin	17.3	Years of Service
Patty R. Highley	16.7	Years of Service
Mary E. Hughes	16.4	Years of Service
Marti L. Cooper	15.2	Years of Service
Jo Ann Lanham	14.6	Years of Service
Coleen F. Hodson	13.8	Years of Service
Bruce M. Eames	12.7	Years of Service
Mike Larsen	11.1	Years of Service
Mary J. Harper	9.5	Years of Service
Billie K. Havery	9.5	Years of Service
Jill R. Peterson-Pate	9.3	Years of Service
Karlyne K.C. Schaler	8.5	Years of Service
Nancy C. Ax	8.3	Years of Service
Naomi N. Carr	6.5	Years of Service
Cina S. Treese	6.0	Years of Service
Tony T. Polidori	5.7	Years of Service
Mark W. Boschulte	5.2	Years of Service
Walt L. Bitner	5.1	Years of Service
Sam F. Blake	3.9	Years of Service
Karen A. Carlyle	3.9	Years of Service
Rick J. Sherrick	2.8	Years of Service
Connie D. Newgard	2.7	Years of Service
Rita R. Roach	2.6	Years of Service
Jan L. Kochan	2.0	Years of Service
Andy C. Forth	2.0	Years of Service
Seth J. Ruhter	1.8	Years of Service
Dave L. Jensen	1.7	Years of Service
Daniel D. Kline	1.4	Years of Service
Erin J. Van Engelen	1.0	Years of Service
Rich A. Dekker	1.0	Years of Service
Dave S. Wentland	0.8	Years of Service
Holly A. Frenette	0.3	Years of Service
Tiffany N. Faylor	0.3	Years of Service
Juan J. Rosado	0.2	Years of Service
Megan L. Conrad	0.2	Years of Service
Kari N. Welch	0.1	Years of Service
Erik P. Jorgensen	0.1	Years of Service
523.6		Years of Service

AMERICANS WITH DISABILITIES ACT COMPLIANCE

It is the policy of the Idaho Department of Finance to comply with Title II of the Americans With Disabilities Act which mandates that no qualified individual shall be excluded from participation, denied benefits, services, or access to programs or activities, or be subjected to discrimination by any public entity.

The Department of Finance does not discriminate on the basis of disability in access to, admission to, or operation of its programs, services, or activities or in its hiring or employment practices.

Individuals who need accessible communication or other accommodations in order to participate in programs and services of the Department of Finance are invited to make their needs and preferences known to the ADA Compliance Coordinator.

Questions, concerns, complaints, or requests for additional information should be forwarded to:

ADA COMPLIANCE COORDINATOR
DEPARTMENT OF FINANCE
800 Park Blvd., Suite 200
P O BOX 83720
BOISE ID 83720-0031

Phone: (208) 332-8001
Fax: (208) 332-8098
TDD to Voice Relay: 1-800-377-3529

This notice is also available audibly from the ADA Compliance Coordinator.

CIVIL RIGHTS GRIEVANCE PROCEDURES

The Idaho Department of Finance presents the following grievance procedure for the quick and fair investigation of discrimination complaints. Persons who feel they may have been discriminated against under conditions prohibited by law may file a complaint. The laws are those relating to nondiscrimination in the use of any of the Department's public facilities, programs or activities. These laws include protected classes of race, color, national origin, age, disability, sex and religion.

Complaints should be addressed to:

DIRECTOR OF FINANCE
DEPARTMENT OF FINANCE
P O BOX 83720
BOISE ID 83720-0031

1. A complaint may be filed in writing or by cassette tape and should be submitted with the signature of the complainant.
2. The complaint should contain the name, address and telephone number of the complainant, the date of the alleged discrimination, and a description of what happened.
3. The complaint shall be filed within 90 days from the date of the alleged discrimination.
4. The Department will contact the complainant in writing within 10 working days of receiving the complaint to acknowledge receipt and relate what action the Department has taken or will take in an attempt to resolve the complaint.
5. An investigation will be conducted within 30 working days of the date the Department receives the complaint. Investigations are authorized by the Director and may be conducted by a designee. The complainant or complainant's representative may submit evidence to support the complaint.
6. The Director or the Director's designee will send a written response to the complainant regarding the results of the investigation within 30 working days of the time the investigation began.
7. If dissatisfied with the results of the investigation, the complainant may request that the case be reconsidered. The request for reconsideration shall be made in writing or by tape to the Director of the Department of Finance within 10 days of the receipt of the Department's resolution letter.

8. The complainant may also file a complaint with the following state and federal agencies:

IDAHO HUMAN RIGHTS COMMISSION
1109 MAIN STREET
BOISE ID 83720-0040

THE OFFICE FOR EQUAL OPPORTUNITY
U S DEPARTMENT OF THE INTERIOR
WASHINGTON DC 20240

9. The Supporting Services Bureau within the Department of Finance will maintain the files and records relating to complaints for a period of three years.

Annual Report Credits

Project Management, Compilation, Photography, Layout, and Design.....David Jensen

Compilation of Banking Section.....George Baker, Richard Sherrick,
Connie Newgard, Samuel Blake

Compilation of Credit Union Section.....Larry Chandler, Andrew Forth

Compilation of Securities Section..... Marilyn Chastain, Katy Witt,
Jim Burns

Compilation of Consumer Finance Section.....Anthony Polidori,
Mike Larsen, K.C. Schaler

Compilation of Department Financial Report.....Jill Peterson-Pate

Director.....Gavin M. Gee

Financial Institutions Bureau ChiefMary E. Hughes

Securities Bureau Chief.....Marilyn Chastain

Consumer Finance Bureau Chief.....Mike Larsen

Supporting Services Bureau Chief.....David Jensen

About the Cover:

The fountain is in front of our new offices at WGI / MK Plaza. The fountain was built in 1982, runs 365 days a year, and is designed to operate at temperatures below zero.

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